ANNUAL REPORT 2014

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The annual general shareholders' meeting will be held on **Thursday, May 7, 2015, at 11:00 a.m. at Cinéma Excentris**, 3536 Saint-Laurent Blvd. in Montréal, Québec.

Cascades Inc.'s 2014 Annual Information Form will be available, upon request, from the Corporation's head office as of March 31, 2015.

This report is also available on our website at: www.cascades.com

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On peut se procurer la version française du présent rapport annuel en s'adressant au siège social de la Société à l'adresse suivante :
Secrétaire corporatif
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Kingsey Falls (Québec) J0A 1B0
CANADA

CASCADES AT A GLANCE

$3,561 MILLION IN SALES[1]

$340 MILLION IN OIBD[1,2]

PACKAGING PRODUCTS

71% of sales[3] | **74%** of OIBD[4]

CONTAINERBOARD
32% of sales[3]
44% of OIBD[4]

LARGEST PRODUCER OF CONTAINERBOARD IN CANADA
6TH LARGEST IN NORTH AMERICA

BOXBOARD EUROPE
23% of sales[3]
19% of OIBD[4]

2ND LARGEST PRODUCER IN EUROPE

SPECIALTY PRODUCTS
16% of sales[3]
11% of OIBD[4]

LARGEST PAPER COLLECTOR IN CANADA

TISSUE PAPERS

29% of sales[3] | **26%** of OIBD[4]

LARGEST PRODUCER IN CANADA
4TH LARGEST IN NORTH AMERICA

1 Excluding discontinued operations.
2 Excluding specific items.
3 Before inter-segment eliminations.
4 Excluding specific items and corporate activities.

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UPHOLDING INNOVATION

We are focused on the needs of consumers and working hard to design and manufacture innovative products. These products have added value, are better adapted to today's realities, and are more efficient and greener than ever before.

1 Made mainly from recycled fibres, the **CASCADES EXTREME® PAPER TOWEL** offers extreme absorbency thanks to the unique Absorbent Cells® technology.

2 Offering the choice of a variety of formats and features, the **BENPAC™ CLEAR CONTAINER** truly highlights the products while maximizing shelf space.

3 The **APPLE BASKET** is made from recycled and completely recyclable corrugated board.

4 The **ULTRATILL™ FRESH MUSHROOM TILL** is sturdy, efficient and recyclable.

5 A **CHEESE BOX** made from 100% recycled and recyclable cardboard.

6 **EVOK®** is the first food tray in North America made from polystyrene foam containing 25% recycled materials.

7 **POUL-TRAY™ PACKAGING FOR WHOLE CHICKEN** enhances shelf presentation and reduces the time required for packing.

SEIZING THE OPPORTUNITY TO MOVE FORWARD

Dear Shareholders and Partners:

Throughout 2014, Cascaders gathered to celebrate our Corporation's 50th anniversary. These proud celebrations were a reminder of Cascades' ongoing ability to adapt and innovate in order to capitalize on opportunities and to meet diverse challenges. During the past fiscal year, we again demonstrated our ability to adapt by taking concrete steps to better position the Corporation for future success. In fact, certain actions carried out this past year were among the most significant since the launch of our strategic plan at the beginning of 2012.

MARIO PLOURDE
President and Chief Executive Officer

First, we continued to modernize our assets with targeted investments. To expand our reach into the American market, the Tissue Papers Group completed the installation of a new paper machine on the West Coast and began construction of a new converting centre in the southeastern United States. In the Packaging Products sector, we continued to modernize our corrugated packaging converting activities with the acquisition and installation of new equipment in three of our Québec plants. In Italy, Reno de Medici moved forward with an important upgrade to one of its paper machines.

We also made the decision to focus our activities in the strategic packaging products and tissue papers sectors. With this in mind, we resolved to withdraw from certain less promising market sectors. We made the difficult but necessary decision to sell our North American boxboard and fine papers assets. In addition, we ceased our kraft paper manufacturing activities, and closed a boxboard mill in Sweden. Although some of these decisions had a negative impact on our 2014 net results, they will streamline our business model and improve the Corporation's financial flexibility. At this stage, it is safe to say that, of the four pillars of our strategic plan—modernizing, optimizing, innovating and restructuring—the restructuring of our non-performing activities has been largely completed.

With a view to making optimal use of our capital, we continued our efforts to improve our working capital management. We also took advantage of favourable markets to refinance more than $800 million of our long-term debt at advantageous conditions, which strengthened our capital structure and lowered borrowing costs.

Our optimization goals also target our processes, and the Corporation continues to review its business practices while upholding the values that have driven it for 50 years. We continue to encourage a highly entrepreneurial management culture in parallel with a rigorous business process review program, ONE Cascades, which was launched with the aim of standardizing and optimizing our work methods. This initiative goes hand-in-hand with the technological shift we have undertaken with the implementation of our integrated management software system. In addition to generating savings, the process will improve our internal cohesion and strengthen our customer approach.

We resolved to withdraw from certain less promising market sectors.

Because our customers are our raison d'être and we wish to improve and streamline our service. Now more than ever, we want to offer our customers innovative products of the highest quality that comply with the strictest environmental standards under the best possible conditions. In this report, we aim to highlight the different products manufactured by Cascades and its subsidiaries. A quick look around is proof of just how present we are in your daily lives, from tissue paper products and corrugated boxes to waste paper collection and specialty packaging for consumer products. Although not all of our products display our logo, they are nonetheless a source of pride and a sign of half a century of expertise in sustainable products.

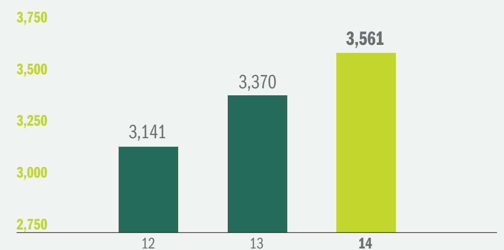
Innovation remains an important strategic focus, and we will continue to work tirelessly to design new products. You will soon see the results of these efforts on grocery store shelves, in the form of more lightweight and eco-friendly packaging that is every bit as efficient as before. It takes considerable effort and ingenuity to design, manufacture and distribute consumer goods. Cascades accomplishes this thanks to the dedication of its employees and the support of its partners. I would like to thank them for their efforts. We were able to count on everyone's support throughout the year as we repositioned and improved our performance.

We will continue to work tirelessly to design new products.

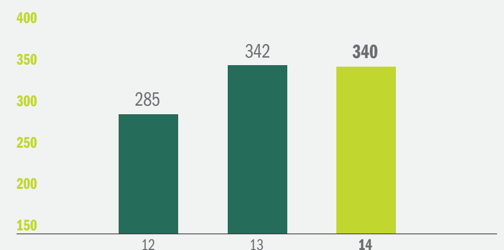
Overall, the results for 2014 show improvements compared with last year, with a stronger capital structure at year end and increased productivity, revenues and return on capital.

In summary, the Containerboard Group had a good year, with EBITDA[2] increasing 10%. The decision to sell our North American boxboard activities will allow our team to focus its strategy entirely on the containerboard market. The year 2014 was also marked by a strategic repositioning of the Specialty Products Group with the sale of its fine papers assets and the closure of the kraft paper mill. In Europe, results were satisfactory considering the economic environment, and cash flows continue to progress. As for the Tissue Papers Group, it began action on two important new strategic projects despite difficult market conditions.

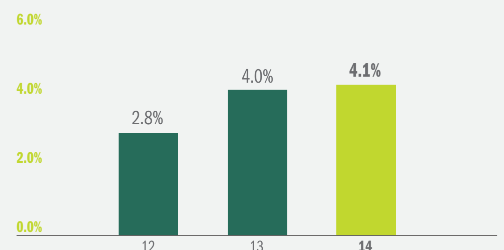
SALES (MILLIONS CAN$)



OIBD[1] (MILLIONS CAN$)

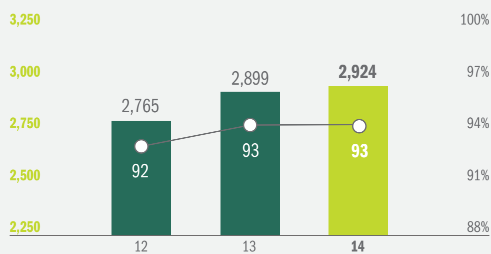


RETURN ON CAPITAL EMPLOYED[1]

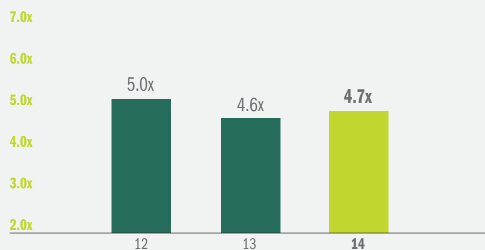


1 Refer to footnotes in the "Financial Highlights" section.
2 Excluding specific items and discontinued operations.

TOTAL SHIPMENTS AND CAPACITY UTILIZATION RATE[1] ('000 s.t. and %)



NET DEBT/OIBD[1]



In 2015, we expect to benefit from favourable exchange rates, stable recycled fibre costs, lower oil prices and economic recovery in the U.S. In addition, the first-quartile recycled linerboard Greenpac Mill will make a positive contribution to our net results for a first full year in 2015. In the tissue paper sector, our operational platforms that serve high growth regions in North America will gradually commission or accelerate the ramp-up of their new equipment this year. Our margins should benefit from the sale and closure of certain units, as well as a decrease in borrowing costs. We will maintain our objective of lowering our financial leverage by managing our free cash flow responsibly, which among other things will entail reducing capital expenditures. Finally, I would like to recognize the significant achievements of Boralex, which, in 2014, improved its geographical diversification and growth potential, thereby increasing the value of our investment in our view.

Conditions are favourable and we are optimistic as we look to the future.

We therefore expect to provide our shareholders with increased returns while continuing to respect the environment and allowing our many employees to work and prosper in the communities where we operate.

Conditions are favourable and we have taken positive action in recent years, so we are optimistic as we look to the future, which is truly in our hands.

Mario Plourde
President and Chief Executive Officer

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FRESH VEGETABLES
PRODUIT DU CANADA
1 BOISSEAU

HOLDING ON TO WHAT MATTERS

We have developed a level of services that meets market requirements: hygiene, conservation, handling, transportation and service. Our unique expertise in transforming recycled materials has made us an industry leader.

1 Stylish, elegant and designed for high capacity, the **TANDEM®+ NO-TOUCH TOWEL DISPENSER** allows establishments to maximize hygiene and reduce operating costs.

2 The **THERMAFRESH® COOLER** offers an innovative and ecological packaging solution for shipping products such as fresh foods in controlled temperatures.

3 **ULTRACELL**™ egg filler flats are made from 100% recycled fibre.

4 **STRAWBERRY BASKET** made from 100% recycled corrugated board. The integrated handle—a Cascades innovation—eliminates the use of plastic or wood, making the basket 100% recyclable.

5 **STRAWBERRY BASKET SHIPPING BOXES** made from 100% recyclable corrugated board.

6 **CASCADES® ANTIBACTERIAL PAPER TOWELS** are made from 100% recycled fibre and are recyclable, compostable, biodegradable and whitened without chlorine.

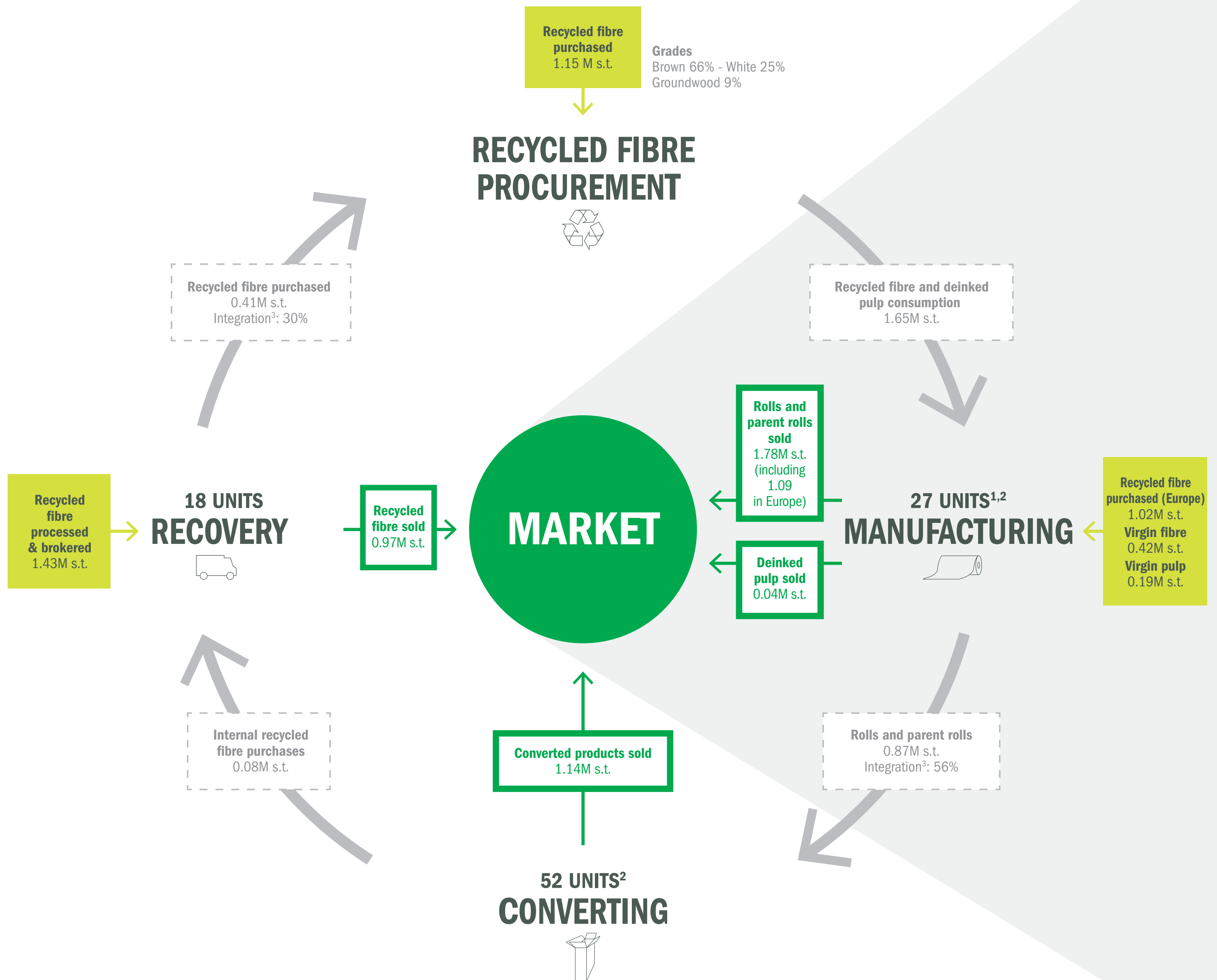
7 Soft, durable and absorbent, **PRIVILEGE® AIRLAID NAPKINS** are the ideal alternative to cloth napkins.

8 Cascades **PARTITIONS** are used as protective dividers in beer and wine cases.

9 **FRESH PRODUCE BOXES** made from recycled corrugated board with a waterproof coating—ideal for protecting or displaying fruits and vegetables.

UNDERSTANDING OUR CORPORATION AND OUR RESULTS

Giving a second life to recovered materials: a simple idea that inspired the creation of Cascades 50 years ago. The Corporation is now the largest collector of recycled papers in Canada, a strategic advantage. Our business model has significantly evolved throughout the years but the common denominator that defines our products remains that they are made from recycled materials. Our integration strategy, both upstream and downstream, can be summarized by what we call the "**closed-loop system**[1]".



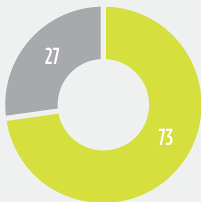
1 2014 data including 100% of Reno De Medici; excluding the Greenpac mill and its production and consumption.
2 Including the integrated tissue paper manufacturing and converting units.
3 North America only.

ILLUSTRATIVE DISTRIBUTION OF OUR SALES ON THE MARKET

We have decided to focus on packaging products and tissue papers, the two healthiest sectors of the paper industry. This balanced business model has allowed us to withstand many challenges and grow to become one of North America's major manufacturers of corrugated packaging containers, tissue papers and specialty packaging products.

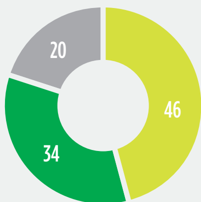
CONTAINERBOARD

By country (%)



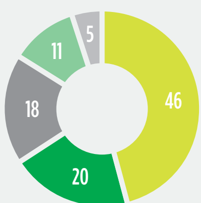
- Canada
- United States

By product – manufacturing (%)



- Semi-chem medium
- Recycled medium
- Linerboard

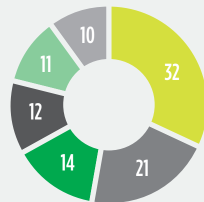
By industry – corrugated boxes (%)



- Agriculture and meat
- Chemicals and plastics
- Other industries
- Papers and wood
- Food and beverages

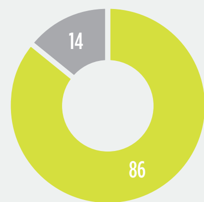
BOXBOARD EUROPE

By country (%)



- Italy
- France
- Rest of Western Europe
- Overseas
- Germany & Austria & Switzerland
- Eastern Europe

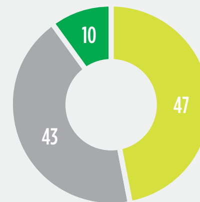
By product (%)



- White-lined chipboard (recycled)
- Folding boxboard (virgin)

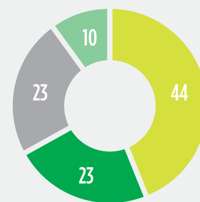
SPECIALTY PRODUCTS

By country (%)



- Canada
- United States
- Others

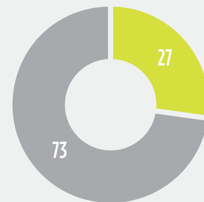
By segment (%)



- Recovery and recycling
- Industrial packaging
- Consumer products packaging
- Other products

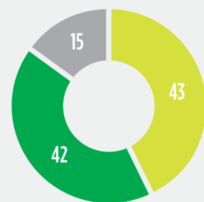
TISSUE PAPERS

By country (%)



- Canada — Retail **54%**, Away-from-Home **46%**
- United Sates — Retail **47%**, Away-from-Home **53%**

By market (%)



- Away-from-Home — Branded **52%**, Private Label **48%**
- Retail — Branded **15%**, Private Label **85%**
- Parent rolls

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ANIMAUX

EFFICIENCY AT HAND

So that all of our initiatives converge toward producing quality products and improving our performance, we are constantly adapting our processes and carefully targeting the right materials, the best technology and the most functional designs.

1 Our **MOVING BOXES** are made of 100% recycled corrugated board and guarantee maximum resistance.

2 "**MY PRETTY PLAYHOUSE**" is entirely made from 100% recycled recyclable cardboard.

3 **RECOVERY**: Cascades is Canada's largest collector of recyclable papers.

4 **ULTRAFIT**™ **CUP CARRIERS**, an innovative design with unique features, made from 100% recycled fibre.

5 **EKO-SENS**™ **BAKERY PACKAGING** is transparent, lightweight and rigid. The containers have tight-fitting lids and contain 60% recycled PETE.

6 Decorative panels made from Cascades **MULTIBOARD**™ **LAMINATED PAPERBOARD** are used to manufacture furniture backer for ready-to-assemble furniture.

7 The cellular structure of **TECHNICOMB® HONEYCOMB PAPERBOARD** is light, provides high-pressure resistance and is 100% recyclable.

8 In addition to being hypoallergenic, dye-free and fragrance-free, **CASCADES® FACIAL TISSUES** are made from 100% recycled fibre.

9 **MULTIBOARD**™ **LAMINATED PAPERBOARD** can be used as a structural component in books and binders.

HAND IN HAND, WE GO FURTHER

Day after day, Cascades works hard to recognize the efforts of the 11,000 people behind its success, focusing its energy on offering interesting challenges in a safe and friendly work environment.

NUMBER OF EMPLOYEES CLOSE TO 11,000

AVERAGE YEARS OF SERVICE 12.7

AVERAGE AGE 44.5

OUR 50TH ANNIVERSARY CELEBRATIONS: *OUR VALUES, OUR FUTURE*

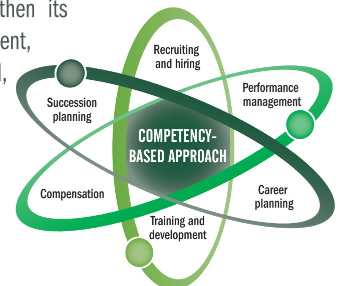
In 2014, Cascaders marked the Corporation's history by celebrating its 50th anniversary and paying tribute to its three co-founders, Bernard, Laurent and Alain Lemaire. Numerous celebrations were organized throughout North America and in Europe by hundreds of volunteers and business partners. These festivities allowed employees to reaffirm their values and increase their pride in being Cascaders by celebrating the milestones in the Corporation's history.

COMMITTED TO THE CUSTOMER

Cascades has begun a thorough revision of its business processes, with the aim of standardizing and optimizing its practices, while at the same time improving customer service. ONE Cascades will improve the Corporation's efficiency and profitability by promoting the implementation of best practices and creating greater synergy between the groups. This initiative is relevant now more than ever, as we must continually adapt to changing markets in order to better meet our customers' needs.

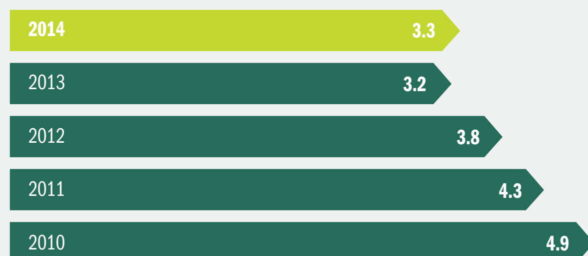
TAKING CHARGE OF ITS RESOURCES

Cascades considers its employees its most valuable resource. For the Corporation to reach its business objectives, it is vital that all employees be fully committed. Consequently, the organization will spend the next three years revising its human resources processes using a competency-based management model. This process will result in better communication of Cascades objectives to all employees, so that they will understand the role they play, how they can contribute and how they can develop the skills they need, and ultimately so that they receive due recognition for their hard work. Through this continuous improvement initiative, Cascades aims to strengthen its values and employee commitment, attract and retain qualified personnel, and achieve even greater efficiency as a company.



SAFETY FIRST

OSHA frequency rate = number of work-related injuries causing loss of time, temporary reassignment or the need for medical treatment



EMPLOYEE TRAINING

$12.5 MILLION
INVESTED IN TRAINING

671,869
HOURS OF TRAINING

9,155
EMPLOYEES TRAINED

COMMITTED TO THE NEXT GENERATION OF EMPLOYEES

469
STUDENTS HIRED

120
INTERNS

HAND IN HAND, WITH THE COMMUNITY

Cascades and its employees are proud to actively contribute to the development of their communities, keeping them healthy and vibrant. In the true spirit of giving, Cascades is committed to numerous causes, is involved with various organizations and encourages its employees to take part in activities and events that support social growth.

HEALTH

ANNUAL CYCLING EVENT

Fondation du Centre de cancérologie Charles-Bruneau

Mario Plourde, President and Chief Executive Officer of Cascades, and Annabelle Gauthier, enjoying a stopover in Kingsey Falls during the Tour.

AMOUNT RAISED
$230,000

1

BRP-CASCADES GOLF TOURNAMENT

Fondation du centre hospitalier de l'Université de Sherbrooke

The Cascades Green Team helps to raise awareness about sound waste management among tournament participants.

AMOUNT RAISED
$1.9 MILLION

2

COMMUNITY

CENTRAIDE CENTRE-DU-QUÉBEC

The organizing committee for the 2014 regional fundraising campaign was proud to hand over a record amount.

DONATION
$310,000

3

SPORT

4

FONDATION DE L'ATHLÈTE D'EXCELLENCE DU QUÉBEC

Mario Plourde and the recipients at the 2014 scholarship awards ceremony.

$54,000
IN SCHOLARSHIPS

5

6

CASCADES ALSO ENCOURAGES OUR BEST YOUNG OLYMPIANS

Marc-Antoine Gagnon, moguls athlete, who placed fourth at the Sochi 2014 Olympic Games.

Alex Harvey, world champion and Olympic cross-country skier.

EDUCATION

7

FORCES AVENIR

For ten years, Cascades has been encouraging students to get involved in projects that contribute to the development of a responsible and active society.

Hugo D'Amours, Vice-President, Communications and Public Affairs, Cascades, with the students from the Eco Youth Project, recipient of the Environment Award.

ENVIRONMENT

8

ACTION RE-BUTS AND QUÉBEC WASTE REDUCTION WEEK

Cascades took part in Disco Soupe, a soup prepared with rejected vegetables as part of Québec Waste Reduction Week.

PHOTOS CREDITS

1 Cascades
2 La Tribune
3 Cascades
4 Fondation de l'athlète d'excellence du Québec
5 Diane Jacob
6 Michel Arnautovitch
7 Forces Avenir
8 Nicolas Marchand, Québec Waste Reduction Week

MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL OVERVIEW - 2013

The year 2013 was highlighted by favourable market conditions as we benefited from higher selling prices in our containerboard activities, stable recycled fibre prices and a favourable Canadian dollar. We were also able to increase our total shipments by 5%, when excluding discontinued operations. On the other hand, business conditions remained challenging in Europe and our operational efficiencies in some of our manufacturing facilities in North America were not up to our normal standards. We also incurred additional costs related to our initiatives of upgrading our information systems and the re-engineering of our business processes. As a result we improved our operating results for the second year in a row as our operating income before depreciation and amortization (OIBD), excluding specific items increased by 20% over 2012, excluding the effects of discontinued operations.

FINANCIAL OVERVIEW - 2014

The start of 2014 was marked by slower-than-usual business activities in January and February, combined with harsh weather conditions prevailing in Québec, Ontario and the U.S. Northeast. This led to lower-than-expected sales volumes and higher energy, transportation and logistics costs in the first quarter. However, our results for the year benefited from the depreciation of the Canadian dollar against the U.S. dollar and the Euro, as well as higher selling prices in our Containerboard segment, but these factors were more than offset by higher raw material costs compared to last year due to increased use of virgin pulp and external purchases of containerboard parent rolls, mainly from Greenpac.

During the year, we completed several business transactions with the intention of focusing our efforts and resources on strategic core businesses we want to grow in the future. Some of these transactions were presented as discontinued operations. See the "Business Highlights" section, on page 29, and Note 5 of the Audited Consolidated Financial Statements, for all the details regarding the Discontinued Operations. The following table reconciles the 2014 and 2013 presentation of our results and cash flow:

						2014
	Including Discontinued Operations	Exclusion of Discontinued Operations				As reported
(in millions of Canadian dollars)	Total	Container-board	Boxboard Europe	Specialty Products	Intersegment sales	Total
Results						
Sales, net of intercompany transactions	3,953	(226)	(32)	(148)	14	3,561
Cost of sales and expenses (excluding depreciation and amortization), net of intercompany transactions	3,242	(207)	(32)	(128)	14	2,889
Depreciation and amortization	183	(6)	—	(3)	—	174
Selling and administrative expenses	356	(11)	(2)	(9)	—	334
Loss on acquisitions, disposals and others	44	(1)	—	(43)	—	—
Impairment charges and restructuring costs	97	(64)	(12)	2	—	23
Foreign exchange gain	(3)	1	—	—	—	(2)
Loss on derivative financial instruments	6	—	—	—	—	6
Operating income	28	62	14	33	—	137
Financing expense	101	—	—	—	—	101
Interest expense on employee future benefits	7	—	—	(1)	—	6
Loss on refinancing of long-term debt	44	—	—	—	—	44
Foreign exchange loss on long-term debt and financial instruments	30	—	—	—	—	30
Loss before income taxes	(154)	62	14	34	—	(44)
Provision for (recovery of) income tax	(11)	18	—	9	—	16
Net loss from continuing operations for the year	(143)	44	14	25	—	(60)
Net loss from discontinued operations for the year	—	(44)	(14)	(25)	—	(83)
Net loss including non-controlling interest for the year	(143)	—	—	—	—	(143)
Net earnings attributable to non-controlling interest	4	—	—	—	—	4
Net loss attributable to Shareholders for the year	(147)	—	—	—	—	(147)

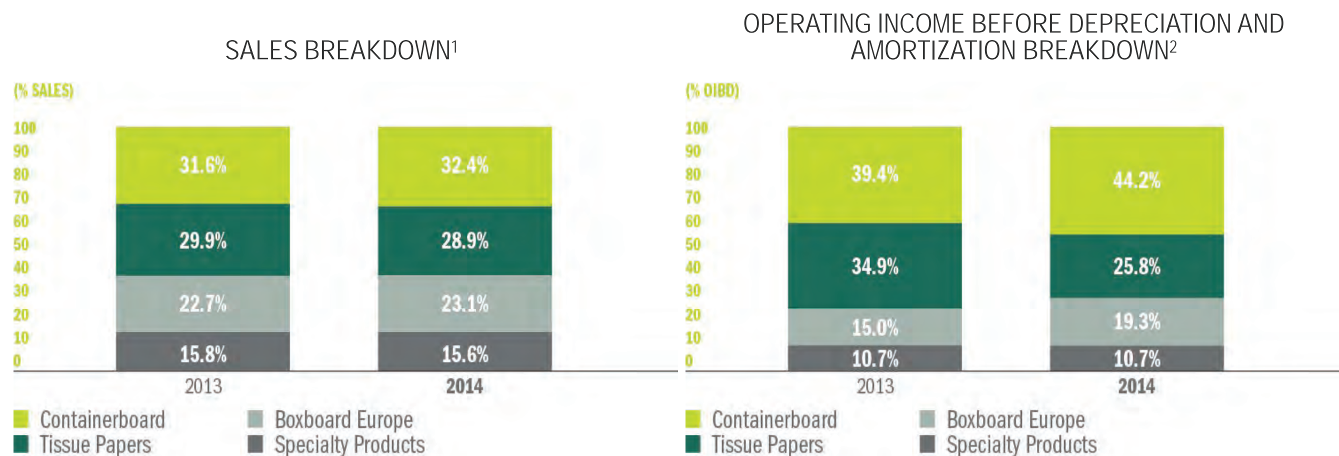
						2013
	As reported in 2013	Exclusion of Discontinued Operations				As reported
(in millions of Canadian dollars)	Total	Container-board	Boxboard Europe	Specialty Products	Intersegment sales	Total
Results						
Sales, net of intercompany transactions	3,849	(219)	(51)	(226)	17	3,370
Cost of sales and expenses (excluding depreciation and amortization), net of intercompany transactions	3,136	(209)	(54)	(194)	17	2,696
Depreciation and amortization	182	(7)	(1)	(7)	—	167
Selling and administrative expenses	365	(12)	(3)	(15)	—	335
Loss on acquisitions, disposals and others	3	—	—	—	—	3
Impairment charges and restructuring costs	33	—	(11)	(20)	—	2
Foreign exchange gain	(5)	1	—	—	—	(4)
Gain on derivative financial instruments	(5)	—	—	—	—	(5)
Operating income	140	8	18	10	—	176
Financing expense	103	1	—	—	—	104
Interest expense on employee future benefits	12	(1)	—	(3)	—	8
Foreign exchange gain on long-term debt and financial instruments	(2)	—	—	—	—	(2)
Share of results of associates and joint ventures	3	—	—	—	—	3
Profit (loss) before income taxes	24	8	18	13	—	63
Provision for (recovery of) income tax	12	2	—	5	—	19
Net earnings (loss) from continuing operations for the year	12	6	18	8	—	44
Net earnings (loss) from discontinued operations for the year	2	(6)	(18)	(8)	—	(30)
Net earnings including non-controlling interest for the year	14	—	—	—	—	14
Net earnings attributable to non-controlling interest	3	—	—	—	—	3
Net earnings attributable to Shareholders for the year	11	—	—	—	—	11

					2014
	Including Discontinued Operations	Exclusion of Discontinued Operations			As reported
(in millions of Canadian dollars)	Total	Container-board	Boxboard Europe	Specialty Products	Total
Net cash flow					
Cash flow from (used for):					
Operating activities	250	(9)	(3)	(7)	231
Investing activities	(138)	—	—	(35)	(173)
Financing activities	(105)	—	—	—	(105)
Change in cash and cash equivalents during the year from discontinued operations	—	9	3	42	54
Net change in cash and cash equivalents during the year	7	—	—	—	7

					2013
	As reported in 2013	Exclusion of Discontinued Operations			As reported
(in millions of Canadian dollars)	Total	Container-board	Boxboard Europe	Specialty Products	Total
Net cash flow					
Cash flow from (used for):					
Operating activities	232	10	7	(13)	236
Investing activities	(181)	2	—	6	(173)
Financing activities	(49)	—	—	—	(49)
Change in cash and cash equivalents during the year from discontinued operations	—	(12)	(7)	7	(12)
Net change in cash and cash equivalents during the year	2	—	—	—	2

Sales increased by 6%, or $191 million, to reach $3,561 million in 2014, compared to $3,370 million in 2013. The 7% average depreciation of the Canadian dollar against both the U.S. dollar and the Euro largely explains this increase. We experienced higher selling prices and shipments for our containerboard activities, while our tissue paper activities volume and average selling prices were lower than last year after excluding the currency exchange rate impact.

The following graphics shows the breakdown of sales, before intercompany eliminations, and operating income before depreciation and amortization by business segment:



1 Excluding inter-segment sales and Corporate activities.
2 Excluding specific items and Corporate activities. Please refer to "Supplemental Information on Non-IFRS Measures" for a complete reconciliation.

For the year, the Corporation posted a net loss of $147 million, or $1.57 per share, compared to net earnings of $11 million, or $0.11 per share, in 2013. Excluding specific items, which are discussed in detail on pages 30 to 33, we posted net earnings of $20 million during the year, or $0.21 per share, compared to net earnings of $29 million or $0.31 per share in 2013. The Corporation recorded an operating income of $137 million during the year, compared to $176 million in 2013. Excluding specific items, operating income stood at $166 million during the year, compared to $175 million in 2013 (see the "Supplemental Information on Non-IFRS Measures" section for reconciliation of these figures).

The decrease of $1.68 in our net earnings per share in 2014 compared to 2013, including specific items, can be explained by the following factors:

(in Canadian dollars)		
Change in specific items (see reconciliation on page 34)	$	(1.58)
Change in net earnings (loss) from continuing operations including non-controlling interest after normalized provision for income taxes	$	(0.11)
Withholding tax provision - North American capital structure optimization	$	(0.15)
Change in share of results of associates and joint ventures - net of income taxes and change in non-controlling interest	$	0.05
Change in net earnings (loss) from discontinued operations - net of income taxes	$	0.11
Decrease in net earnings per share	$	(1.68)

FORWARD-LOOKING STATEMENTS AND SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

The following is the annual financial report and management's discussion and analysis ("MD&A") of the operating results and financial position of Cascades Inc.("Cascades" or "the Corporation"), and should be read in conjunction with the Corporation's consolidated financial statements and accompanying notes for the years ended December 31, 2014 and 2013. Information contained herein includes any significant developments as at March 12, 2015, the date on which the MD&A was approved by the Corporation's Board of Directors. For additional information, readers are referred to the Corporation's Annual Information Form ("AIF"), which is published separately. Additional information relating to the Corporation is also available on SEDAR at www.sedar.com.

This MD&A is intended to provide readers with the information that Management believes is required to gain an understanding of Cascades' current results and to assess the Corporation's future prospects. Accordingly, certain statements herein, including statements regarding future results and performance, are forward-looking statements within the meaning of securities legislation, based on current expectations. The accuracy of such statements is subject to a number of risks, uncertainties and assumptions that may cause actual results to differ materially from those projected, including, but not limited to, the effect of general economic conditions, decreases in demand for the Corporation's products, the prices and availability of raw material, changes in the relative values of certain currencies, fluctuations in selling prices and adverse changes in general market and industry conditions. Cascades disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations. This MD&A also includes price indices, as well as variance and sensitivity analysis that are intended to provide the reader with a better understanding of the trends related to our business activities. These items are based on the best estimates available to the Corporation.

The financial information contained herein, including tabular amounts, is expressed in Canadian dollars unless otherwise specified, and is prepared in accordance with International Financial Reporting Standards (IFRS). Unless otherwise indicated or if required in the context, the terms "we", "our" and "us" refer to Cascades Inc. and all of its subsidiaries, joint ventures and associates. The financial information included in this analysis also contains certain data that are not measures of performance under IFRS ("non-IFRS measures"). For example, the Corporation uses net debt, working capital and working capital as a percentage of sales, return on capital employed, consolidated return on assets, operating income, operating income before depreciation and amortization, or operating income before depreciation and amortization excluding specific items (OIBD or OIBD excluding specific items) as these are the measures used by Management to assess the operating and financial performance of the Corporation's operating segments. Moreover, we believe that OIBD is a measure often used by investors to assess a corporation's operating performance and its ability to meet debt service requirements. OIBD has limitations as an analytical tool, and it should not be considered in isolation or as a substitute for an analysis of our results as reported under IFRS. These limitations include the following:

- OIBD excludes certain income tax payments that may represent a reduction in cash available to us
- OIBD does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments
- OIBD does not reflect changes in, or cash requirements for, our working capital needs
- OIBD does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments on our debt
- Although depreciation and amortization expenses are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and OIBD does not reflect any cash requirements for such replacements
- The specific items excluded from OIBD, operating income, financing expense, net earnings (loss) and cash flow from operating activities from continuing operations mainly include charges for (reversals of) impairment of assets, charges for facility or machine closures, accelerated depreciation of assets due to restructuring measures, loss on refinancing of long-term debt, discontinued operations, premiums paid on long-term debt refinancing, gains or losses on the acquisition or sale of a business unit, gains or losses on the share of results of associates and joint ventures, unrealized gains or losses on derivative financial instruments that do not qualify for hedge accounting, unrealized gains or losses on interest rate swaps, foreign exchange gains or losses on long-term debt, specific items on discontinued operations and other significant items of an unusual or non-recurring nature. Although we consider these items to be non-recurring and less relevant to evaluating our performance, some of them will continue to take place and will reduce the cash available to us.

Due to these limitations, OIBD should not be used as a substitute for net earnings (loss) or cash flow from operating activities from continuing operations as determined in accordance with IFRS, nor is it necessarily indicative of whether or not cash flow will be sufficient to fund our cash requirements. In addition, our definitions of OIBD may differ from those of other corporations. Any such modification or reformulation may be significant. A reconciliation of OIBD to net earnings (loss) from continuing operations and to net cash flow from operating activities from continuing operations, which we believe to be the closest IFRS performance and liquidity measure to OIBD, is outlined in the "Supplemental Information on Non-IFRS Measures" section.

BUSINESS DRIVERS

Cascades' results are impacted by the fluctuations of the Canadian dollar against the U.S. dollar and Euro, as well as by energy prices and the cost of raw material.

SALES +

- Selling prices
- Demand for packaging products and tissue papers
- Trend towards sustainable products, mainly made of recycled fibres
- Foreign exchange rates
- Population growth
- Industrial production
- Product mix, substitution and innovation

COSTS -

- Freight
- Energy prices, mainly electricity and natural gas
- Fibre prices and availability (recycled papers, virgin pulp and woodchips) and production recipes
- Foreign exchange rates
- Labour
- Chemical product prices
- Capacity utilization rates and production downtime

EXCHANGE RATES

Cascades' results are impacted by fluctuations of the Canadian dollar against the U.S. dollar and Euro. Please refer to the "Sensitivity Table" section for more details on these impacts.

For the year 2014, the average value of the Canadian dollar against the U.S. dollar was 7% lower than the average in 2013. Each $0.01 change in the U.S. dollar against its Canadian counterpart has an impact of approximately $4 million on our annual OIBD. The sale of the fine papers and North American boxboard activities, the closure of the kraft paper mill and parent roll purchases from Greenpac contributed to lowering Cascades' sensitivity to the U.S. dollar.

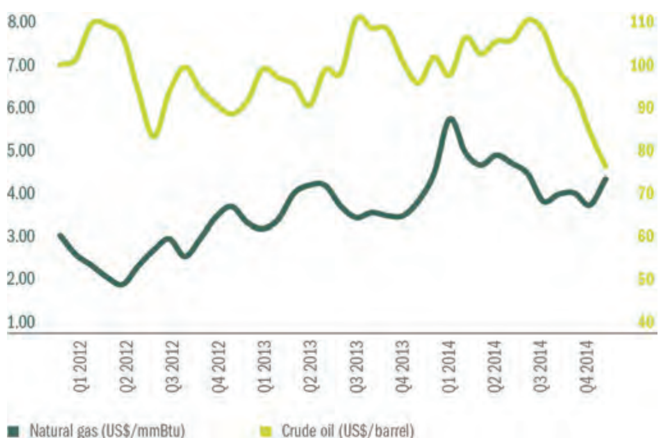
Against the Euro, the Canadian currency also depreciated by 7% during the year compared to 2013. Each 0.01 change of the Euro against the Canadian dollar has an impact of approximately $1 million on our annual OIBD.

ENERGY COSTS

With regard to energy costs, the average price of natural gas increased by 21% in 2014 compared to the previous year, as higher prices in the first quarter due to harsh weather conditions more than offset lower prices during the rest of the year.

In the case of crude oil, the average price remained stable in 2014 compared to 2013, despite a significant decrease in average crude oil prices in Q4 2014, caused by oversupply on the global market.

The variation of energy costs directly impacts our results as illustrated in the "Sensitivity Table" section. It can also indirectly impact our results through its influence on other costs such as chemical product prices, freight and other costs that are sensitive to energy prices.



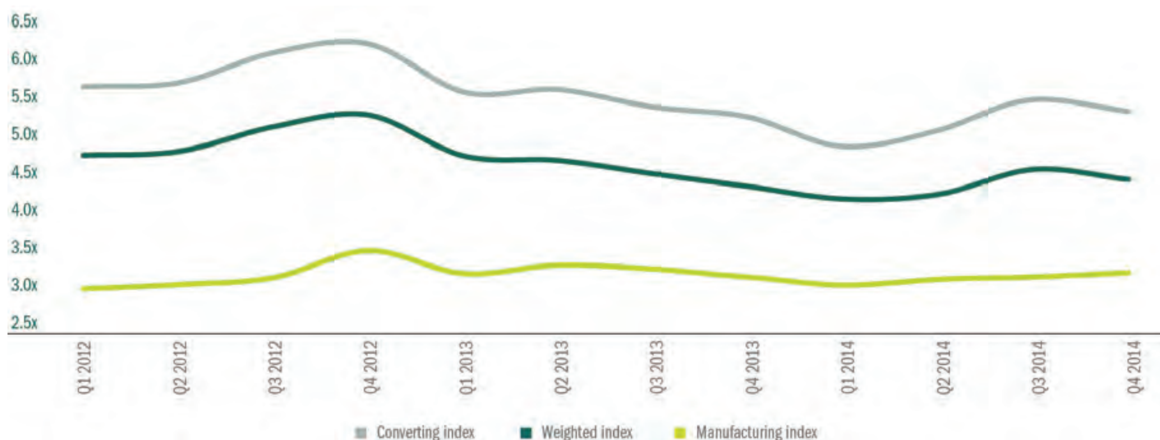
SELLING PRICES AND RAW MATERIAL COSTS IN NORTH AMERICA

Selling prices and raw material costs trends are illustrated by the indices below, which have been adjusted following the sale of certain assets and to more accurately represent the activities of our two core sectors.

The manufacturing index is a multiple calculated by dividing the average manufacturing selling price[1] by the average raw material cost[2]. For instance, for the fourth quarter of 2014, the average manufacturing selling price[1] resulted in a 3.2x multiple of the average raw material cost[2].

To establish the converting index, we first calculate the spread between the average converting selling price[3] and the average manufacturing selling price[1]. This spread is then divided by the average raw material cost[2]. For instance, for the fourth quarter of 2014, the spread between the average converting selling price[3] and the average manufacturing selling price[1] resulted in a 5.2x multiple of the average raw material cost[2].

We then establish a weighted index to reflect the partial integration of our activities. For instance, for the fourth quarter of 2014, as our global integration rate was approximately 57%, the weighted index is composed of 57% of the converting index and 43% of the manufacturing index.



In 2014, the manufacturing index decreased by 3%, compared to 2013 due to lower average manufacturing selling prices and higher raw material costs. Compared to 2012, this index increased slightly in 2013 as higher average manufacturing selling prices more than offset higher raw material costs.

Compared to 2013, the converting index and the weighted index decreased in 2014, both by 5% due to lower average converting selling prices and integration rate. Compared to 2012, the two indices were also 7% lower in 2013 as higher raw material costs and lower integration rate more than offset higher converting selling prices. It is worth noting that these indices only highlight the spread between selling prices and raw material costs. They do not reflect other factors which impact profitability, such as exchange rates, production costs or depreciation.

1 The average manufacturing selling price is equal to the average, weighted according to shipments, of our average selling prices in U.S. dollars for containerboard rolls and of our average selling prices in U.S. dollars for tissue paper jumbo rolls. This index only considers North American manufacturing prices for the Containerboard Group and the Tissue Papers Group. This index should only be used as a trend indicator, as it may differ from our actual selling prices and our product mix.

2 The average raw material cost is equal to the average, weighted according to consumed volume, of the average costs in U.S. dollars paid in by our containerboard and tissue papers activities for recycled fibre and virgin pulp. Some of these costs are estimated according to the historical relationship between our costs and selling prices published in PPI Pulp & Paper Week *magazine. The cost of woodchips and logs is not considered. This index should only be used as a trend indicator, as it may differ from our actual manufacturing purchasing costs and our purchase mix.*

3 The average converting selling price is equal to the average, weighted according to shipments, of our average selling prices in U.S. dollars for corrugated boxes and of our average selling prices in U.S. dollars for converted tissue paper products. This index only considers North American converting prices for the Containerboard Group and the Tissue Papers Group. This index should only be used as a trend indicator, as it may differ from our actual selling prices and our product mix.

SENSITIVITY TABLE[1]

The following table provides a quantitative estimate of the impact on Cascades' annual OIBD of potential changes in the prices of our main products, the costs of certain raw material and energy, as well as the CAN$/US$ exchange rate, assuming, for each price change, that all other variables remain constant. This is based on Cascades' 2014 manufacturing and converting external shipments and consumption quantities. However, it is important to note that this table does not consider the risk management from hedging instruments used by the Corporation. In fact, Cascades' hedging policies and portfolios (see the "Risk Factors" section) should also be considered in order to fully analyze the Corporation's sensitivity to the highlighted factors.

With regards to the CAN$/US$ exchange rate, we do not consider Cascades' indirect sensitivity. This sensitivity refers to the fact that some of Cascades' selling prices and raw material costs in Canada are based on reference prices and costs in U.S. dollars converted into Canadian dollars. In other words, the exchange rate fluctuation can have a direct influence on sales and purchases in Canada from Canadian facilities. However, because this fluctuation is difficult to measure precisely, we do not include it in the following table. It also excludes the impact of the exchange rate on the Corporation's Canadian units working capital items and cash positions denominated in other currency than CAN$. The foreign exchange rates also has an impact on the translation in CAN$ of the results of our non-Canadian units.

	SHIPMENTS/CONSUMPTION ('000 SHORT TONS, '000 MMBTU FOR NATURAL GAS)	INCREASE	OIBD IMPACT (IN MILLIONS OF CAN$)
SELLING PRICE (MANUFACTURING AND CONVERTING)[2]			
North America			
Containerboard	1,100	US$25/s.t.	30
Specialty Products (Industrial Packaging only)	160	US$25/s.t.	4
Tissue Papers	570	US$25/s.t.	16
	1,830		
Europe			
Boxboard	1,090	€25/s.t.	40
	2,920		90
RAW MATERIAL[2]			
Recycled Papers			
North America			
Brown grades (OCC and others)	1,020	US$15/s.t.	(17)
Groundwood grades (ONP and others)	50	US$15/s.t.	(1)
White grades (SOP and others)	560	US$15/s.t.	(9)
	1,630		(27)
Europe			
Brown grades (OCC and others)	740	€15/s.t.	(16)
Groundwood grades (ONP and others)	180	€15/s.t.	(4)
White grades (SOP and others)	100	€15/s.t.	(2)
	1,020		(22)
	2,650		(49)
Virgin pulp			
North America	110	US$30/s.t.	(4)
Europe	80	€30/s.t.	(4)
	190		(8)
Natural gas			
North America	6,800	US1.00/mmBtu	(7)
Europe	4,700	€1.00/mmBtu	(7)
	11,500		(14)
Exchange rate[3]			
Sales less purchases in US$ from Canadian operations		CAN$/US$ 0.01 change	3
U.S. subsidiaries translation		CAN$/US$ 0.01 change	1
European subsidiaries translation		CAN$/€ 0.01 change	1
			5

1 Sensitivity calculated according to 2014 volumes or consumption, excluding discontinued operations, with an exchange rate of CAN$/US$ 1.10 and CAN$/€ 1.46, excluding hedging programs and the impact of related expenses such as discounts, commissions on sales and profit-sharing.

2 Based on 2014 external manufacturing and converting shipments, as well as 2014 fibre and pulp consumption. Including purchases from our subsidiary Cascades Recovery. All figures are excluding discontinued operations.

3 As an example, from CAN$/US$ 1.10 to CAN$/US$ 1.11 and from CAN$/€ 1.46 to CAN$/€ 1.47.

KEY PERFORMANCE INDICATORS

In order to achieve our long-term objectives while also monitoring our action plan, we use several key performance indicators, including the following:

	2012					2013					2014
	TOTAL	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL
OPERATIONAL											
Total shipments (in '000 s.t.)[1]											
Packaging Products											
Containerboard	1,192	296	324	334	314	1,268	309	337	337	325	1,308
Discontinued operations net of intercompany transactions	(221)	(54)	(55)	(53)	(43)	(205)	(55)	(51)	(50)	(48)	(204)
Boxboard Europe	1,104	299	301	260	277	1,137	303	293	261	263	1,120
Discontinued operations net of intercompany transactions	(52)	(13)	(14)	(11)	(14)	(52)	(13)	(10)	(4)	—	(27)
Specialty Products[2]	385	94	94	93	90	371	94	93	65	39	291
Discontinued operations net of intercompany transactions	(207)	(53)	(52)	(48)	(50)	(203)	(53)	(52)	(24)	(2)	(131)
	2,201	569	598	575	574	2,316	585	610	585	577	2,357
Tissue Papers	564	143	149	153	138	583	130	140	153	144	567
Total	2,765	712	747	728	712	2,899	715	750	738	721	2,924
Integration rate[3]											
Containerboard only	64%	62%	56%	54%	50%	55%	55%	50%	54%	49%	52%
Tissue Papers	69%	69%	70%	71%	72%	70%	71%	70%	69%	69%	70%
Manufacturing capacity utilization rate[4]											
Packaging Products											
Containerboard	88%	88%	91%	90%	88%	89%	85%	93%	94%	90%	91%
Boxboard Europe	93%	99%	102%	87%	93%	95%	101%	98%	89%	91%	95%
Tissue Papers	96%	98%	98%	100%	93%	97%	90%	95%	100%	89%	93%
Consolidated total	92%	95%	97%	91%	91%	93%	93%	96%	93%	90%	93%
Energy cons.[5] - GJ/ton	11.41	12.30	10.69	10.40	11.54	11.22	11.92	11.07	10.36	10.69	11.03
Work accidents[6] - OSHA frequency rate	3.80	3.10	3.30	3.10	3.20	3.20	3.30	3.50	3.50	2.90	3.30
FINANCIAL											
Return on assets[7]											
Packaging Products											
Containerboard	7%	8%	9%	10%	11%	11%	12%	13%	13%	13%	13%
Boxboard Europe	6%	6%	6%	6%	7%	7%	9%	10%	11%	10%	10%
Specialty Products	9%	9%	10%	10%	12%	12%	12%	12%	14%	13%	13%
Tissue Papers	19%	18%	18%	18%	18%	18%	17%	15%	13%	12%	12%
Consolidated return on assets	8.1%	8.0%	8.0%	8.5%	9.3%	9.3%	9.5%	9.6%	9.9%	9.4%	9.4%
Return on capital employed[8]	2.8%	2.8%	2.9%	3.2%	4.0%	4.0%	4.1%	4.2%	4.4%	4.1%	4.1%
Working capital[9]											
In millions of $, at end of period	455	488	543	485	455	455	526	469	460	379	379
% of sales[10]	14.4%	14.0%	13.5%	13.1%	12.9%	12.9%	12.9%	12.7%	12.6%	12.3%	12.3%

1 *Shipments do not take into account the elimination of business sector inter-company shipments.*
2 *Industrial Packaging shipments only, for all current and comparative periods.*
3 *Defined as: Percentage of manufacturing shipments transferred to our converting operations. Containerboard excludes manufacturing shipments from our North American boxboard operations presented as discontinued operations.*
4 *Defined as: Manufacturing internal and external shipments/practical capacity. Excluding discontinued operations and Specialty Products Group manufacturing activities.*
5 *Average energy consumption for manufacturing mills only, excluding RdM. Not adjusted for discontinued operations.*
6 *Starting in Q1 2013, the rate includes Papersource and Bird Packaging. Excluding RdM for all periods and Djupafors starting in Q2 2014. Not adjusted for discontinued operations.*
7 *Return on assets is a non-IFRS measure defined as the last twelve months' ("LTM") OIBD excluding specific items/LTM quarterly average of total assets. It includes or excludes significant business acquisitions and disposals, respectively, of the last twelve months, on a pro forma basis. Not adjusted for discontinued operations.*
8 *Return on capital employed is a non-IFRS measure and is defined as the after-tax (30%) amount of the LTM operating income, including our share of core joint ventures, excluding specific items, divided by the LTM quarterly average of capital employed. Capital employed is defined as the total assets less trade and other payables. It includes or excludes significant business acquisitions and disposals, respectively, of the last twelve months, on a pro forma basis. Not adjusted for assets of disposal group classified as held for sale.*
9 *Working capital includes accounts receivable (excluding the short-term portion of other assets) plus inventories less trade and other payables. Not adjusted for assets of disposal group classified as held for sale.*
10 *% of sales = Average LTM working capital/LTM sales. It includes or excludes significant business acquisitions and disposals, respectively, of the last twelve months, on a pro forma basis. Not adjusted for assets of disposal group classified as held for sale.*

HISTORICAL FINANCIAL INFORMATION

	2012					2013					2014
(in millions of Canadian dollars, unless otherwise noted)	TOTAL	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL
Sales											
Packaging Products											
Containerboard	1,189	298	335	353	328	1,314	330	363	366	348	1,407
Discontinued operations net of intercompany transactions	(242)	(58)	(58)	(56)	(47)	(219)	(59)	(58)	(56)	(53)	(226)
Boxboard Europe	791	212	215	194	216	837	246	232	199	196	873
Discontinued operations net of intercompany transactions	(53)	(14)	(12)	(11)	(14)	(51)	(14)	(12)	(6)	—	(32)
Specialty Products	791	189	196	197	192	774	203	207	167	139	716
Discontinued operations net of intercompany transactions	(224)	(57)	(57)	(55)	(57)	(226)	(63)	(61)	(22)	(2)	(148)
Inter-segment sales	(56)	(12)	(12)	(13)	(13)	(50)	(13)	(13)	(10)	(13)	(49)
	2,196	558	607	609	605	2,379	630	658	638	615	2,541
Tissue Papers	979	241	264	279	249	1,033	245	257	282	270	1,054
Inter-segment sales and Corporate activities	(34)	(10)	(12)	(10)	(10)	(42)	(12)	(5)	(11)	(6)	(34)
Total	3,141	789	859	878	844	3,370	863	910	909	879	3,561
Operating income (loss)											
Packaging Products											
Containerboard	(12)	12	22	33	29	96	23	(6)	35	(6)	46
Discontinued operations	(1)	3	4	1	—	8	(1)	35	(1)	29	62
Boxboard Europe	1	2	1	—	(10)	(7)	14	(1)	4	(2)	15
Discontinued operations	2	—	2	3	13	18	1	12	—	1	14
Specialty Products	23	5	9	(12)	4	6	6	(37)	10	(6)	(27)
Discontinued operations	(4)	—	(3)	18	(5)	10	(2)	33	(2)	4	33
	9	22	35	43	31	131	41	36	46	20	143
Tissue Papers	92	18	23	29	36	106	9	11	20	8	48
Corporate activities	(29)	(17)	(17)	(13)	(14)	(61)	(14)	(10)	(15)	(15)	(54)
Total	72	23	41	59	53	176	36	37	51	13	137
OIBD excluding specific items[1]											
Packaging Products											
Containerboard	98	26	34	42	47	149	33	44	49	47	173
Discontinued operations	(8)	1	2	(1)	(1)	1	(2)	(1)	(3)	(3)	(9)
Boxboard Europe	42	11	10	9	21	51	23	19	14	14	70
Discontinued operations	1	—	2	2	2	6	1	1	—	—	2
Specialty Products	49	11	16	15	16	58	12	13	16	10	51
Discontinued operations	(12)	(2)	(5)	(3)	(7)	(17)	(4)	(3)	(4)	—	(11)
	170	47	59	64	78	248	63	73	72	68	276
Tissue Papers	138	29	33	39	32	133	20	23	32	21	96
Corporate activities	(23)	(9)	(10)	(9)	(11)	(39)	(8)	(6)	(11)	(7)	(32)
Total	285	67	82	94	99	342	75	90	93	82	340
Net earnings (loss)	(22)	(8)	2	11	6	11	(1)	(83)	(16)	(47)	(147)
Excluding specific items[1]	5	(4)	8	7	18	29	1	7	4	8	20
Net earnings (loss) per share (in dollars)											
Basic and diluted	$ (0.23)	$ (0.09)	$ 0.03	$ 0.12	$ 0.05	$ 0.11	$ (0.01)	$ (0.88)	$ (0.17)	$ (0.51)	$ (1.57)
Basic, excluding specific items[1]	$ 0.05	$ (0.04)	$ 0.09	$ 0.07	$ 0.19	$ 0.31	$ 0.01	$ 0.08	$ 0.04	$ 0.08	$ 0.21
Net earnings (loss) from continuing operations per basic and diluted common share (in dollars)	$ (0.19)	$ (0.05)	$ 0.06	$ 0.28	$ 0.15	$ 0.44	$ (0.01)	$ (0.24)	$ (0.20)	$ (0.23)	$ (0.68)
Cash flow from operations including discontinued operations	161	46	41	78	61	226	60	26	92	73	251
Cash flow from discontinued operations	(6)	2	1	5	(3)	5	(3)	10	(10)	(2)	(7)
Cash flow from continuing operations[1]	155	48	42	83	58	231	57	34	82	71	244
Net debt[2]	1,535	1,581	1,675	1,601	1,612	1,612	1,708	1,645	1,640	1,613	1,613
US$/CAN$	$ 1.00	$ 0.99	$ 0.98	$ 0.96	$ 0.95	$ 0.97	$ 0.91	$ 0.92	$ 0.92	$ 0.88	$ 0.91
EURO€/CAN$	$ 0.78	$ 0.75	$ 0.75	$ 0.73	$ 0.70	$ 0.73	$ 0.66	$ 0.67	$ 0.69	$ 0.70	$ 0.68
Natural Gas Henry Hub - US$/mmBtu	$ 2.79	$ 3.34	$ 4.09	$ 3.58	$ 3.60	$ 3.65	$ 4.94	$ 4.67	$ 4.06	$ 4.00	$ 4.42

Sources: Bloomberg and Cascades.

1 See "Forward-looking statements and supplemental information on non-IFRS measures".

2 Defined as total debt less cash and cash equivalents.

BUSINESS HIGHLIGHTS

In 2014 and 2013, the Corporation completed transactions in order to optimize its asset base and streamline its cost structure. The following transactions and announcements, which occurred in both years, should be taken into consideration when reviewing the overall or segmented analysis of the Corporation's results.

BUSINESS CLOSURES, RESTRUCTURING AND DISPOSALS

BOXBOARD EUROPE

- On April 9, 2014, following a consultation process with the unions, the Corporation announced closure of its subsidiary Cascades Djupafors, located in Ronneby, Sweden, which definitively ceased its operations on June 15. Results and cash flows have been reclassified as discontinued operations for the current and comparative periods.

SPECIALTY PRODUCTS GROUP

- Effective June 30, 2014, we sold our fine papers activities for an amount of $39 million, before transaction fees of $1 million, of which $37 million was received on the date of the transaction and a selling price balance of $2 million has been received in the third quarter. A negative preliminary working capital adjustment of $2 million was recorded and paid by the Corporation during the third quarter. Results and cash flows have been reclassified as discontinued operations for the current and comparative periods.
- On July 9, 2014, we announced the permanent closure of our kraft paper manufacturing activities located in East Angus, Québec. On September 26, we definitively ceased operations of the mill. Results and cash flows have been reclassified as discontinued operations for the current and comparative periods.

CONTAINERBOARD GROUP

- On December 11, 2014, the Corporation announced that it had reached an agreement for the sale of its North American boxboard manufacturing and converting assets for $45 million. The transaction was closed on February 4, 2015. Results and cash flows have been reclassified as discontinued operations for the current and comparative periods. Balance sheet items were reclassified as held for sale.
- On November 27, 2013, the Corporation announced the creation of a new joint venture with Maritime Paper Products Limited in the Atlantic provinces related to our plants in St. John's, Newfoundland, and Moncton, New Brunswick. The transaction was closed on January 31, 2014.

SIGNIFICANT FACTS AND DEVELOPMENTS

i. On August 18, 2014, we announced the strategic optimization and expansion of our tissue papers activities in the southeastern United States, with the installation of a new tissue converting facility in Wagram, North Carolina. This investment will reorganize and expand our converting activities in that area, which is a targeted region of growth for the Corporation. The total estimated cost of the project is US$55 million of which US$18 million has already been spent in 2014. New equipment is being installed progressively, and some production started in December 2014 and will continue throughout the first half of 2015.

ii. In 2014, we refinanced our 7.75% unsecured senior notes of US$500 million and $200 million, due in 2017 and in 2016, respectively. The Corporation issued 5.50% unsecured senior notes of US$550 million, due in 2022, and 5.50% unsecured senior notes of $250 million, due in 2021. We allocated the proceeds of these new notes to repurchase the US$500 million notes due in 2017 and the $200 million notes due in 2016. The remaining amounts (US$50 million and $50 million) were used to pay a premium totaling $31 million and refinancing costs of $13 million and to reduce our credit facility utilization. The refinancing of these notes will reduce our future interest expense by approximately US$8 million and $6 million annually.

iii. During the third quarter of 2013, we announced plans to increase tissue paper production capacity at our plant in St. Helens, Oregon. The project, consists in converting and starting up a second paper machine. The retrofitting of an existing machine will allow us to bring an additional capacity of 55,000 tons to this market at a lower capital cost and on a faster timeline than if we were to build a new machine. The project started its ramp-up period on October 25, 2014. Total cost of this project after the ramp-up period stood at $45 million as at December 31, 2014 ($11 million spent in 2013).

iv. During the fourth quarter of 2014, we announced the acquisition and installation, for $13 million, of two new printing presses for the Containerboard activities in our Vaudreuil and Drummondville, Québec plants which specialize in manufacturing corrugated packaging products. This investment will allow us to respond more quickly to our customers' needs, offer packaging products of greater quality and increase our productivity.

v. In 2013 and 2014, the results of our European boxboard operations were, from time to time, positively impacted by energy savings certificates ("white certificates"). These certificates of energy efficiency are awarded by the Italian authorities for the promotion of, and reward, energy savings achieved through approved projects. The recognition of these credits in our operating results is done once the approval of a project is received from the authorities. We might continue to receive such certificates in 2015.

SPECIFIC ITEMS INCLUDED IN OPERATING INCOME AND NET EARNINGS (LOSS)

The Corporation incurred some specific items in 2014 and 2013 that adversely or positively affected its operating results. We believe it is useful for readers to be aware of these items, as they provide a measure of performance with which to compare the Corporation's results between periods, notwithstanding these specific items.

The reconciliation of the specific items included in operating income (loss) by business segment is as follows:

									2014
	Including Discontinued Operations					Exclusion of Discontinued Operations			Total
(in millions of Canadian dollars)	Container-board	Boxboard Europe	Specialty Products	Tissue Papers	Corporate activities	Container-board	Boxboard Europe	Specialty Products	Consoli-dated
Operating income (loss)	46	15	(27)	48	(54)	62	14	33	137
Depreciation and amortization	62	35	23	47	16	(6)	—	(3)	174
Operating income (loss) before depreciation and amortization	108	50	(4)	95	(38)	56	14	30	311
Specific items:									
Loss on acquisitions, disposals and others	1	—	43	—	—	(1)	—	(43)	—
Impairment charges	64	11	16	—	—	(64)	(4)	(2)	21
Restructuring costs (gain)	—	9	(4)	1	—	—	(8)	4	2
Unrealized loss on financial instruments	—	—	—	—	6	—	—	—	6
	65	20	55	1	6	(65)	(12)	(41)	29
Operating income (loss) before depreciation and amortization - excluding specific items	173	70	51	96	(32)	(9)	2	(11)	340
Operating income (loss) - excluding specific items	111	35	28	49	(48)	(3)	2	(8)	166

									2013
	Including Discontinued Operations					Exclusion of Discontinued Operations			Total
(in millions of Canadian dollars)	Container-board	Boxboard Europe	Specialty Products	Tissue Papers	Corporate activities	Container-board	Boxboard Europe	Specialty Products	Consoli-dated
Operating income (loss)	96	(7)	6	106	(61)	8	18	10	176
Depreciation and amortization	60	37	26	44	15	(7)	(1)	(7)	167
Operating income (loss) before depreciation and amortization	156	30	32	150	(46)	1	17	3	343
Specific items:									
Loss (gain) on acquisitions, disposals and others	(2)	—	—	—	5	—	—	—	3
Impairment charges (reversal)	1	17	26	(17)	—	—	(10)	(20)	(3)
Restructuring costs	2	4	—	—	—	—	(1)	—	5
Unrealized loss (gain) on financial instruments	(8)	—	—	—	2	—	—	—	(6)
	(7)	21	26	(17)	7	—	(11)	(20)	(1)
Operating income (loss) before depreciation and amortization - excluding specific items	149	51	58	133	(39)	1	6	(17)	342
Operating income (loss) - excluding specific items	89	14	32	89	(54)	8	7	(10)	175

LOSS (GAIN) ON ACQUISITIONS, DISPOSALS AND OTHERS

In 2014 and 2013, the Corporation recorded the following gains and losses:

(in millions of Canadian dollars)	2014	2013
Employment contracts	—	5
Gain on disposal of property, plant and equipment	—	(2)
Class action settlement	5	—
Gain on a joint-venture contribution	(5)	—
	—	3

2014

In the fourth quarter, the Corporation settled a class action lawsuit that was filed against it and other North American manufacturers of containerboard. Under the terms of the settlement agreement the Corporation has agreed to pay US$4.8 million into a settlement fund in return for the release of all claims of the alleged class action without any admission of wrong doing on the part of the Corporation.

On January 31, the Corporation concluded the creation of a new joint venture, for converting corrugated board activities in the Atlantic provinces with Maritime Paper Products Limited (MPPL).This transaction resulted in a gain of $5 million (see Note 8, "Investments in associates and joint ventures" for more details).

2013

In the second quarter, the Containerboard Group sold a piece of land located at its New York City, U.S., containerboard plant site and recorded a gain of $2 million on the disposal.

As part of the transition process in connection with the appointment of a new President and CEO, the Corporation entered into employment contracts with the new President and CEO, and the Presidents of the Containerboard, Specialty Products and Tissue Papers business segments. The fair value of the post-employment benefit obligation related to these employment contracts was evaluated at $5 million as at March 31, and an equivalent charge has been recorded.

IMPAIRMENT CHARGES (REVERSAL) AND RESTRUCTURING COSTS

In 2014 and 2013, the Corporation recorded the following impairment charges (reversal) and restructuring costs:

	2014		2013	
(in millions of Canadian dollars)	Impairment charges	Restructuring costs	Impairment charges (reversal)	Restructuring costs
Containerboard Group	—	—	1	2
Boxboard Europe Group	7	1	7	3
Specialty Products Group	14	—	6	—
Tissue Papers Group	—	1	(17)	—
	21	2	(3)	5

2014

In the fourth quarter, the Boxboard Europe Group reviewed the recoverable amount of its Iberica, Spain, recycled boxboard manufacturing mill and recorded impairment charges on property, plant and equipment totaling $7 million. The slow recovery of the European economic environment since the 2009 financial crisis negatively impacted the profitability of this mill. The Boxboard Europe Group also recorded severances of $1 million in relation to previous years' plant closures.

In the second quarter, the Specialty Products Group recorded impairment charges of $2 million on property, plant and equipment, and the amount of $3 million on spare parts due to sustained challenging business conditions for a plant manufacturing consumer goods made from recovered plastics in its consumer products sub-segment. On September 30, the plant was sold to Laurent Lemaire, a director and major shareholder of the Corporation, at a value determined to be fair by the independent members of the Board. The independent directors of the Board reviewed all options for this business and determined that the sale to Mr. Lemaire was in the best interests of the Corporation and the employees of the consumer plastics business. The Group also recorded impairment charges of $3 million on other assets.

In the fourth quarter, the Specialty Products Group reviewed the recoverable amount of its flexible film activities CGU and recorded an impairment charge of $6 million on property, plant and equipment. Sustained low shipments in this sector do not generate enough profitability to support the carrying value of property plant and equipment.

The Tissue Papers Group recorded severances of $1 million as part of its consumer products activities restructuring.

2013

The Containerboard Group recorded an impairment charge of $1 million due to the re-evaluation of a note receivable (in Other assets) from a 2011 business disposal.

The Containerboard Group also recorded a $1 million provision relating to an onerous lease contract and an additional severances provision totaling $1 million in relation to the consolidation of its Ontario converting activities, announced in 2012.

The Boxboard Europe Group reviewed the recoverable amount of its Magenta and Marzabotto (both in Italy) and Iberica, Spain recycled boxboard manufacturing mills, and recorded impairment charges on property, plant and equipment totaling $7 million. The slow recovery of the European economic environment since the 2009 financial crisis negatively impacted the profitability of these mills and led to the consolidation of our recycled boxboard activities in Europe.

The Boxboard Europe Group recorded severances totaling $3 million in relation to consolidation of its recycled boxboard activities in Italy and Spain.

The Specialty Products Group also reviewed the recoverable amount of its honeycomb activities and recorded an impairment charge of the amount of $2 million on a client list and $4 million on goodwill. Low shipments in this sector do not generate enough profitability to support the carrying value of these intangible assets with a finite life.

The Tissue Papers Group recorded a $17 million reversal of impairment on its Memphis, Tennessee, manufacturing mill. The Corporation had initially recorded an impairment charge of $22 million as at the transition date to IFRS on January 1, 2010, due to operational challenges. Since then, the Corporation implemented a Group Best Practices program to maximize efficiency at all of its plants. These actions contributed to solving operating difficulties at the Memphis mill.

DERIVATIVE FINANCIAL INSTRUMENTS

In 2014, the Corporation recorded an unrealized loss of $6 million, compared to an unrealized gain of $6 million in 2013, on certain financial instruments not designated for hedge accounting.

LOSS ON REFINANCING OF LONG-TERM DEBT

Following the refinancing of the Corporation's unsecured senior notes on June 19, 2014, we recorded premiums of $30 million to repurchase and redeem our existing notes before their maturities. We also wrote-off financing costs and discounts related to the redeemed notes, in the amount of $14 million.

INTEREST RATE SWAPS

In 2013, the Corporation recorded an unrealized gain of $1 million on financial instruments on interest rate swaps.

FOREIGN EXCHANGE GAIN (LOSS) ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In 2014, the Corporation recorded a loss of $30 million, compared to a gain of $2 million in 2013, on its US$-denominated debt and related financial instruments. This is composed of a loss of $27 million in 2014, compared to a loss of $7 million in 2013, on our US$-denominated long-term debt net of our net investment hedge in the U.S. and forward exchange contracts designated as hedging instruments. It also includes a loss of $3 million in 2014, compared to a gain of $9 million in 2013, on foreign exchange forward contracts not designated for hedge accounting.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

In 2014, our share of results of associates and joint ventures includes a $1 million impairment charge on assets from our joint venture Maritime Paper. As well, it includes a $1 million unrealized gain on financial instruments not designated for hedge accounting, compared to a $5 million unrealized gain in 2013 from our associate Greenpac. Additionally, it includes $2 million in acquisition costs from our associate Boralex following its acquisition of Enel Green Power France in the fourth quarter of 2014. Finally, the 2013 share of results includes a $1 million impairment on its investment in a joint venture in Europe.

DISCONTINUED OPERATIONS

In 2014 and 2013, the Corporation recorded the following amounts in discontinued operations:

	2014				2013			
(in millions of Canadian dollars)	Loss on disposals and others	Impairment charges	Restructuring costs (gain)	Total	Loss on disposals and others	Impairment charges	Restructuring costs (gain)	Total
Containerboard Group - Boxboard North America	1	64	—	65	—	—	—	—
Boxboard Europe Group	—	4	8	12	—	10	1	11
Specialty Products Group - Fine Papers	43	—	—	43	—	—	—	—
Specialty Products Group - Kraft Papers	—	2	(4)	(2)	—	20	—	20
Corporate activities	—	—	—	—	—	—	(2)	(2)
Total (excluding related income taxes)	44	70	4	118	—	30	(1)	29
Income taxes	(13)	(19)	1	(31)	—	(5)	—	(5)
Total	31	51	5	87	—	25	(1)	24

2014

On December 11, the Containerboard Group announced that it had reached an agreement for the sale of its boxboard activities in North America to Graphic Packaging Holding Company, for $45 million. The sale was completed on February 4, 2015. Following the announcement, impairment charges of $2 million on intangible assets, $23 million on property, plant and equipment, and $6 million on spare parts were recorded.

In the second quarter, the Containerboard Group had reviewed the recoverable value of one boxboard mill and recorded impairment charges of $12 million on property, plant and equipment, and $5 million on spare parts. In the same quarter, we also recorded impairment charges of $16 million on notes receivable related to the 2011 disposal of our U.S. boxboard activities.

In the third quarter, the Containerboard Group sold a building in connection with a closed plant and recorded a gain of $1 million. Also during the third quarter, in connection with our boxboard plants sold in 2011, we recorded a loss of $2 million related to an onerous lease contract following the bankruptcy of Fusion Paperboard.

On June 15, following the announcement made in 2013, we definitively ceased the operation of our virgin boxboard mill located in Sweden. Following the closure, we recorded an impairment charge of $4 million on spare parts and severances of $7 million. An environmental provision of $1 million was recorded as well.

On June 30, we sold our fine papers activities of the Specialty Products Group, for a cash consideration of $39 million before transaction fees of $1 million, of which $37 million was received on closing and $2 million during the third quarter. Also during the third quarter, the Corporation recorded and paid a preliminary working capital adjustment of $2 million. The transaction is still subject to a working capital adjustment as of December 31. As a result, a loss on disposal of $43 million was recorded during the year.

On September 26, we ceased the operation of our kraft papers manufacturing activities of the Specialty Product Group located in East Angus, Québec. The closure was announced on July 9, and an impairment charge of $2 million on spare parts and restructuring costs of $4 million were recorded in the second quarter. At the same time, a curtailment gain of $9 million was recorded on the pension plan. In the fourth quarter, we recorded $1 million of closure costs for the mill.

2013

During the year, the Djupafors mill recorded severances totaling $1 million in relation to consolidation of its recycled boxboard activities in Djupafors, Sweden. The mill also recorded an impairment charge of $10 million on property, plant and equipment at its Djupafors mill. This impairment charge was recorded due to sustained difficult market conditions, which led to insufficient profitability.

In the third quarter, the Specialty Products Group reviewed the recoverable amount of its East Angus, Québec, kraft paper mill and recorded impairment charges of $16 million on property, plant and equipment, and $4 million on spare parts.

On March 11, 2011, the Corporation announced that it had entered into an agreement for the sale of Dopaco Inc. and Dopaco Canada Inc. (collectively Dopaco), its converting business for the quick-service restaurant industry, to Reynolds Group Holdings Limited. In 2013, we reversed in Corporate Activities a $2 million provision for which we had retained liability following this transaction that did not materialize.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

Net earnings (loss), a performance measure defined by IFRS, is reconciled below with operating income, operating income excluding specific items and operating income before depreciation and amortization excluding specific items:

(in millions of Canadian dollars)	2014	2013
Net earnings (loss) attributable to Shareholders for the year	(147)	11
Net earnings attributable to non-controlling interest	4	3
Net loss from discontinued operations for the year	83	30
Provision for income taxes	16	19
Share of results of associates and joint ventures	—	3
Foreign exchange loss (gain) on long-term debt and financial instruments	30	(2)
Financing expense, interest expense on employee future benefits and loss on refinancing of long term debt	151	112
Operating income	137	176
Specific items:		
Loss on acquisitions, disposals and others	—	3
Impairment charges (reversal)	21	(3)
Restructuring costs	2	5
Unrealized loss (gain) on financial instruments	6	(6)
	29	(1)
Operating income - excluding specific items	166	175
Depreciation and amortization	174	167
Operating income before depreciation and amortization - excluding specific items	340	342

The following table reconciles net earnings (loss) and net earnings (loss) per share with net earnings excluding specific items and net earnings per share excluding specific items:

	NET EARNINGS (LOSS)		NET EARNINGS (LOSS) PER SHARE [1]	
(in millions of Canadian dollars, except amount per share)	2014	2013	2014	2013
As per IFRS	(147)	11	$ (1.57)	$ 0.11
Specific items:				
Loss on acquisitions, disposals and others	—	3	—	$ 0.03
Impairment charges (reversal)	21	(3)	$ 0.13	$ (0.02)
Restructuring costs	2	5	$ 0.02	$ 0.03
Unrealized loss (gain) on financial instruments	6	(6)	$ 0.05	$ (0.04)
Loss on refinancing of long-term debt	44	—	$ 0.35	—
Unrealized gain on interest rates swaps	—	(1)	—	$ (0.01)
Foreign exchange loss (gain) on long-term debt and financial instruments	30	(2)	$ 0.28	$ (0.02)
Share of results of associates and joint ventures	2	(4)	$ 0.01	$ (0.03)
Included in discontinued operations, net of tax	87	24	$ 0.94	$ 0.26
Tax effect on specific items, other tax adjustments and attributable to non-controlling interest [1]	(25)	2	—	—
	167	18	$ 1.78	$ 0.20
Excluding specific items	20	29	$ 0.21	$ 0.31

1 Specific amounts per share are calculated on an after-tax basis and net of the portion attributable to non-controlling interest.

The following table reconciles cash flow from operating activities from continuing operations with cash flow from operating activities from continuing operations (adjusted) and cash flow from operating activities from continuing operations excluding specific items:

(in millions of Canadian dollars)	2014	2013
Cash flow from operating activities from continuing operations	231	236
Changes in non-cash working capital components	13	(5)
Cash flow from operating activities from continuing operations (adjusted)	244	231
Specific items, net of current income taxes if applicable:		
Restructuring costs	2	2
Premium paid on long-term debt refinancing	31	—
Excluding specific items	277	233

The following table reconciles cash flow from operating activities from continuing operations with operating income and operating income before depreciation and amortization:

(in millions of Canadian dollars)	2014	2013
Cash flow from operating activities from continuing operations	231	236
Changes in non-cash working capital components	13	(5)
Depreciation and amortization	(174)	(167)
Net income taxes received	(14)	(5)
Net financing expense paid	73	100
Premium paid on long-term debt refinancing	31	—
Loss on acquisitions, disposals and others	—	(3)
Impairment charges and restructuring costs	(21)	—
Unrealized gain (loss) on financial instruments	(6)	6
Dividend received, employee future benefits and others	4	14
Operating income	137	176
Depreciation and amortization	174	167
Operating income before depreciation and amortization	311	343

The following table reconciles the total debt and the net debt with the net debt on operating income before depreciation and amortization (OIBD) excluding specific items ratio:

(in millions of Canadian dollars)	2014	2013
Long-term debt	1,556	1,540
Current portion of other long-term debt	40	39
Bank loans and advances	46	56
Total debt	1,642	1,635
Cash and cash equivalents	29	23
Net debt	1,613	1,612
OIBD excluding specific items[1, 2]	340	352
Net debt / OIBD excluding specific items ratio	4.7	4.6

1 For 2013, the OIBD excluding specific items includes the effect of discontinued operations of $10 million as reported in 2013.

2 Net debt does not include the impact of the sale of our North American boxboard assets which results are reclassified as discontinued operations. The transaction was closed in February 2015 and the Corporation received proceeds of $46 million (including $1 million in working capital adjustment). However, as per the sale agreement, we will have to incur in 2015 cash disbursement of approximately $4 million to compensate for pension plan deficit as of February 4, 2015.

FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2014 COMPARED TO THE YEAR ENDED DECEMBER 31, 2013

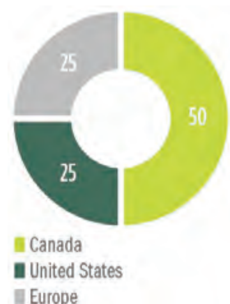
Our 2014 and 2013 results have been adjusted to account for the reclassification of discontinued operations.

SALES

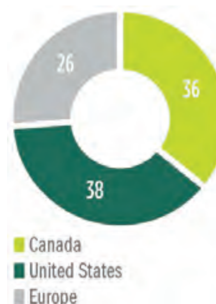
Sales increased by 6%, or $191 million, to reach $3,561 million in 2014, compared to $3,370 million in 2013. The 7% depreciation of the Canadian dollar against both the U.S. dollar and the Euro largely explains this increase. We experienced higher selling prices and increased shipments for our containerboard activities, while our tissue paper activities volumes and average selling prices were lower than last year when excluding the currency exchange rate impact.

Sales by geographic segment are as follows, along with the localization of our plants and property, plant and equipment around the world:

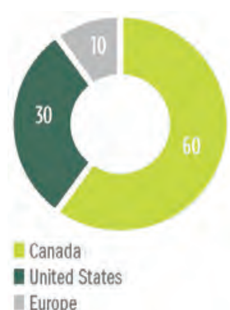
Sales from (in %):



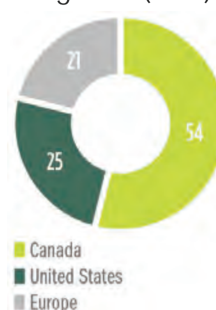
Sales to (in %):



Production and sorting facilities' units (in %)[1]



Property, plant and equipment by geographic segment (in %)



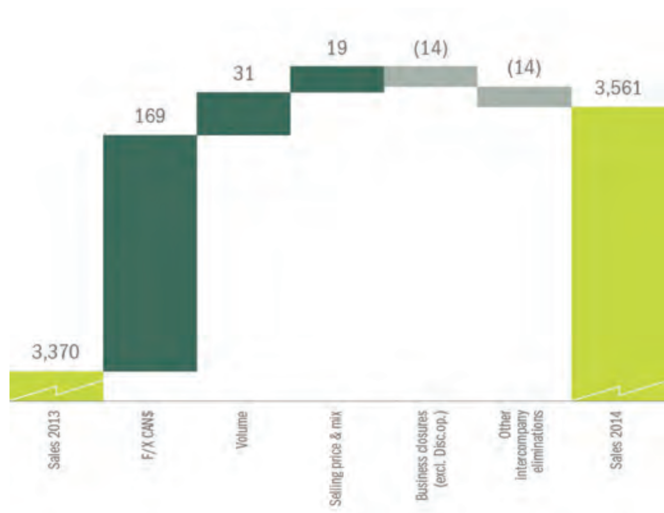
1 Excluding sales offices, distribution and transportation hubs and corporate offices. Including the main associates and joint ventures.

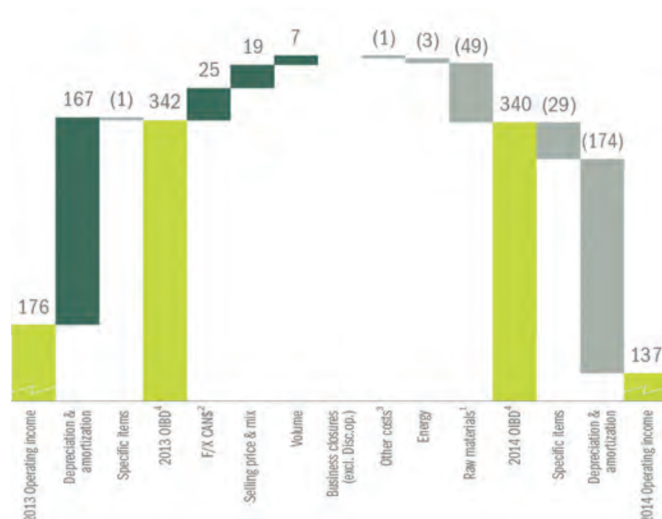
OPERATING INCOME FROM CONTINUING OPERATIONS

The Corporation generated an operating income of $137 million in 2014, compared to $176 million in 2013, a decrease of $39 million. The reduction in operating income mainly comes from the specific items recorded, as described on pages 30 to 33. The depreciation of the Canadian dollar and the increase in the average selling price and in volumes in our Containerboard Group positively contributed to operating income. However, these elements were more than offset by lower volume and average selling prices (excluding the currency impact) in our Tissue Papers Group, and by the negative impacts of higher raw material costs, mostly due to an increase in external purchases of paper rolls, mainly from Greenpac, in our Containerboard Group, a different mix of products sold and higher usage of virgin pulp in our Tissue Papers Group. Higher depreciation expense also impacted the operating income, mainly due to the lower Canadian dollar.

Excluding specific items, the operating income stood at $166 million in 2014, compared to $175 million in 2013 (see the "Supplemental Information on Non-IFRS Measures" and "Specific Items Included in Operating Income and Net Earnings (Loss)" sections for reconciliation of these amounts).

The main variances in sales and operating income in 2014, compared to 2013, are shown below:





1 Raw material: The impacts of these estimated costs are based on production costs per unit shipped externally, which are affected by yield, product mix changes and purchase and transfer prices. In addition to market pulp and recycled fibre, they include purchases of external boards and parent rolls for the converting sector, and other raw material such as plastics and woodchips.
2 F/X CAN$: The estimated impact of the exchange rate is based on the Corporation's Canadian export sales less purchases, denominated in US$, that are impacted by exchange rate fluctuations and by our non-Canadian subsidiaries OIBD translation into CAN$. It also includes the impact of the exchange rate variation on the Corporation's Canadian units in other currency than the CAN$ working capital items and cash positions, as well as our hedging transactions. It excludes indirect sensitivity (please refer to page 26 for more details).
3 Other costs: Other costs include the impact of variable and fixed costs based on production costs per unit shipped externally, which are affected by downtimes, efficiencies and product mix changes.
4 OIBD: Excluding specific items.

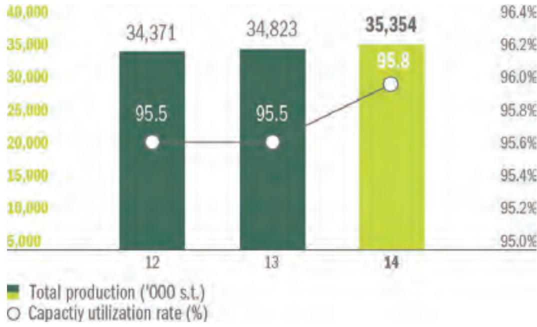
The operating income variance analysis by segment is shown in each business segment review (refer to pages 38 to 49).

PACKAGING PRODUCTS - CONTAINERBOARD

Our Industry

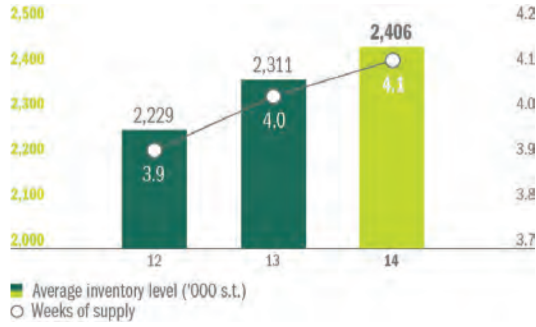
U.S. containerboard industry production and capacity utilization rate [1]

As the U.S. economy picked up, the U.S. containerboard industry remained well balanced in 2014 despite the addition of production capacity. Total production and the capacity utilization rate increased slightly in 2014.



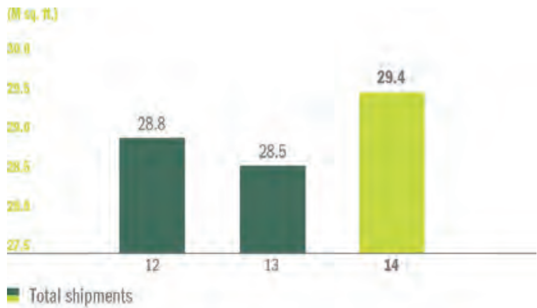
U.S. containerboard inventories at box plants and mills [2]

The average inventory level was 4% higher in 2014 than in 2013 and weeks of supply averaged 4.1, a figure slightly above the 2013 and 2012 levels. This increase can be explained by the addition of production capacity.



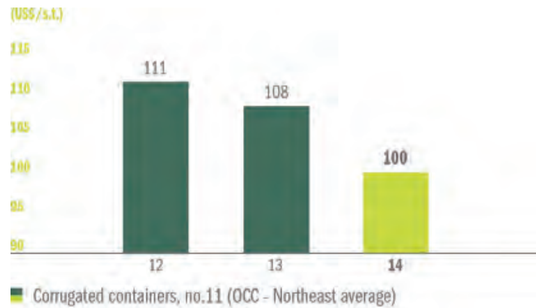
Canadian corrugated box industry shipments [3]

Canadian shipments increased by 3% in 2014 compared to 2013, as both Canada and the U.S. experienced improved market conditions.



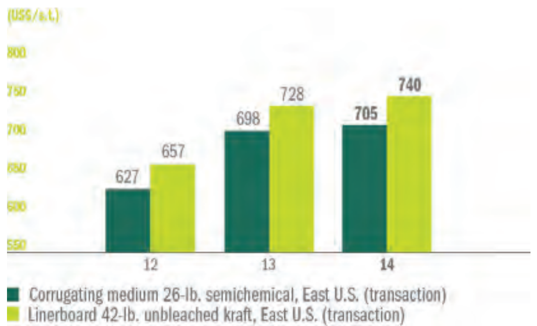
Reference prices - recovered paper (brown grade) [1]

The average reference price of Corrugated containers no.11 decreased again in 2014, due to weak Asian demand and improved recovery rates in China. Closures of North American mills also resulted in abundant domestic supply to meet demand.



Reference prices - containerboard [1]

The linerboard reference price remained stable throughout 2014 while, according to RISI, the reference price for corrugating medium posted a $10 per ton decline starting in July 2014 as a result of new production capacity in the Northeast.

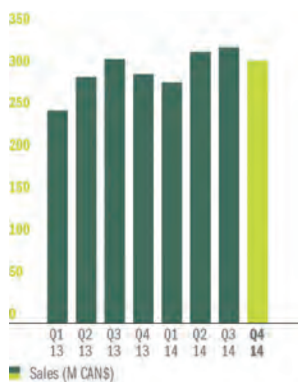


1 Source: RISI
2 Source: Fiber Box Association
3 Source: Canadian Corrugated and Containerboard Association

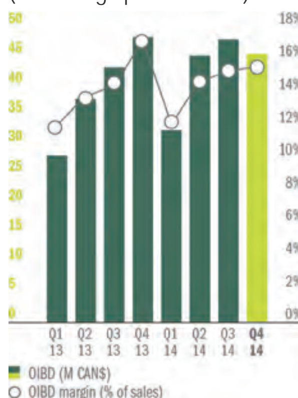
Our Performance

Our 2014 and 2013 results have been adjusted to account for the reclassification of discontinued operations.

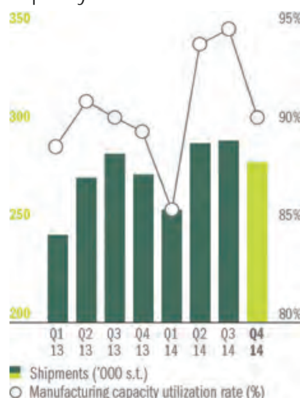
Sales



OIBD and OIBD margin (excluding specific items)



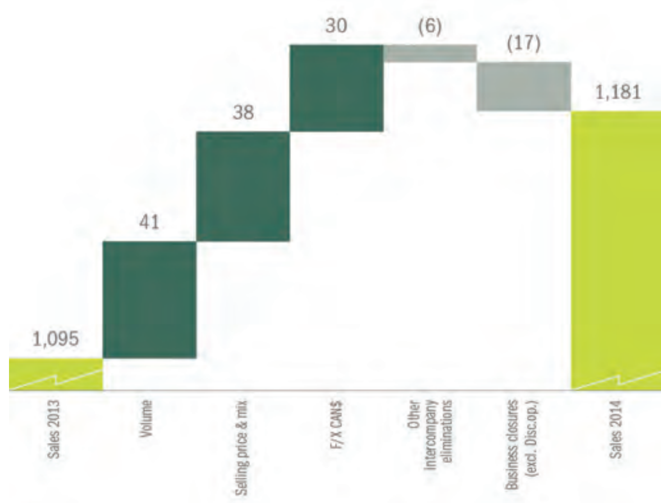
Shipments and manufacturing capacity utilization rate



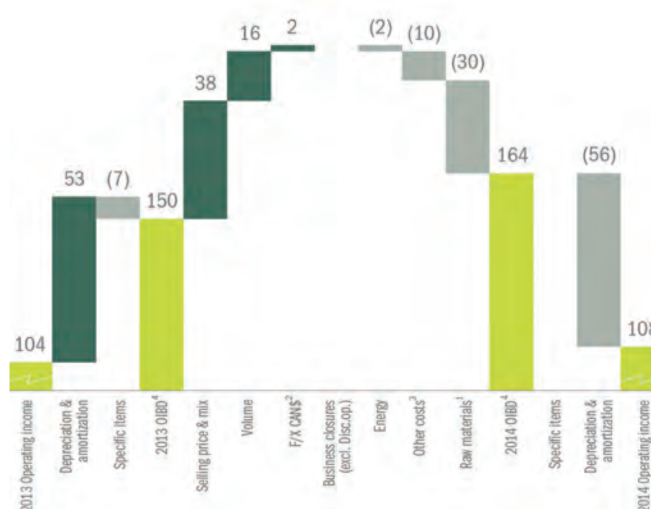
Average selling price

The main variances in sales and operating income for the Containerboard Group are shown below:

Sales ($M)



Operating income ($M)



For Notes 1 to 4, see definitions on page 37.

The Corporation incurred some specific items in 2014 and 2013 that adversely or positively affected its operating results. Please refer to pages 30 to 33 for more details and reconciliation.

	2013	2014	Change in %
Shipments[1] ('000 s.t.)	1,063	1,104	4%
Average Selling Price			
(CAN$/unit)	1,031	1,070	4%
(US$/unit)	1,001	969	-3%
Sales ($M)	1,095	1,181	8%
Operating income ($M)			
(as reported)	104	108	4%
(excluding specific items)	97	108	11%
OIBD ($M)			
(as reported)	157	164	4%
% of sales	14%	14%	
(excluding specific items)	150	164	9%
% of sales	14%	14%	

1 Shipments do not take into account the elimination of business sector inter-company shipments.

2 Since our participation in Greenpac is accounted for using the equity method, all transactions are accounted for as external.

3 Pro forma figures based on normalized average daily production and current-month margin, as well as unplanned downtime taken.

Shipments increased by 4%, or 41,000 s.t., to 1,104,000 s.t. in 2014, compared to 1,063,000 s.t. in 2013. The containerboard mills' external shipments went up by 19,000 s.t.(same-plants basis), or 5%, as they sold fewer tons internally following the start-up of the Greenpac mill[2], which is now fulfilling a portion of our internal converting linerboard needs. Also, despite a fire at our Niagara Falls mill in the third quarter of 2014 and the 14-day shutdown in the first quarter at our Trenton mill, which together subtracted 15,000 s.t.[3], the mills still managed to increase their operating rate by 1%. Our corrugated products plants registered a volume increase of 3.3% (same plants basis). This mirrors the Canadian and US industries that respectively recorded an increase of 4% and 1.2%.

The total average selling price went up by $39, or 4%, to $1,070 per s.t. in 2014 compared to $1,031 in 2013. While our containerboard mills average selling price showed a slight increase of US$2 per s.t., our corrugated products plants' average selling price rose by CAN$50 per s.t. Simultaneously, the weakening of the Canadian dollar positively impacted the average selling price of both our primary and converting sectors.

As a result, the Containerboard Group's sales increased by $86 million, or 8%, to $1,181 million in 2014, compared to $1,095 million in 2013. Notwithstanding the sale of our two converting plants in the Maritimes in the first quarter of 2014 which subtracted $17 million in sales, all factors impacting the Group's revenue line were positive. Furthermore, the increased volume highlighted above generated $41 million of additional sales while the 7% decline in the Canadian dollar value and a higher average selling price combined to add another $68 million of revenue.

Excluding specific items, operating income stood at $108 million in 2014, compared to $97 million in 2013, an increase of $11 million mainly driven by better selling prices and stronger volume. These two factors jointly produced $54 million of additional income. On the other hand, raw material costs increased by $30 million. Our containerboard mills benefited from lower recycled fibre prices, albeit not sufficient to counterbalance the negative impact of the weakening Canadian dollar and the 29% increase in the paper bought externally, coming largely from Greenpac[2]. Lastly, freight costs were up $6 million, due largely to the mills that shipped to less favourable locations with an increase in external shipments.

The 2014 operating income was also impacted by the harsh weather conditions prevailing in Québec, Ontario and the U.S. Northeast that led to higher energy costs of approximately $4 million during the first quarter of 2014, and by an amount of $4 million loss resulting from a 14-day shutdown following problems with the water treatment equipment at our Trenton containerboard mill. Fire incidents also resulted in additional maintenance and repair expenses, and unplanned downtime, for a shortfall of around 7,000 tons at our containerboard mill in Niagara Falls, U.S., and our converting plant in Etobicoke, Ontario[3].

The 2013 operating income was also impacted by a loss of $2 million following flooding incidents resulting in additional maintenance and repair expenses, and unplanned downtime for a shortfall of around 6,000 tons[3] at our containerboard mill in Niagara Falls, U.S. and by a $5 million gain resulting from a decrease in our post-retirement benefits liability following a change to our benefits program.

In the first quarter of 2014, a gain of $5 million was recorded following the contribution of our assets in the Atlantic provinces to a newly formed joint venture with Maritime Paper Products Limited, in which we have a 40% ownership share. Also, in the last quarter of 2014, a provision of $5 million was recorded following a class action lawsuit settlement. Please refer to page 30 to 33 for more details on specific items recorded in 2014 and 2013.

Finally, we are also recording our share of results of our associate Greenpac[2] mill (59.7%). In 2014, including the incidents of a fire protection system malfunction and a fire in the raw material yard located outside, Greenpac had a negative contribution of $4 million to share of results of associates and joint ventures (excluding specific items).

PACKAGING PRODUCTS - BOXBOARD EUROPE

Our Industry

European industry's order inflow of coated boxboard from Europe [1]

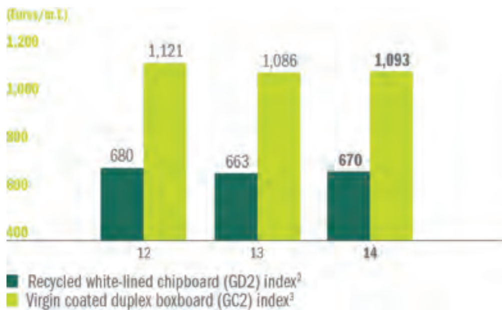
In Europe, order inflows of white-lined chipboard (WLC) increased by 3% in 2014 compared to 2013. For folding boxboard, order inflows were 1% lower than in 2013. The fourth quarter of 2014 represented the best quarter over the last six years for WLC order inflows at 754,000 tonnes.

Coated recycled boxboard industry's order inflow from Europe
(White-lined chipboard (WLC) - 5-week weekly moving average)

Virgin coated duplex boxboard industry's order inflow from Europe
(Folding boxboard (FBB) - 5-week weekly moving average)

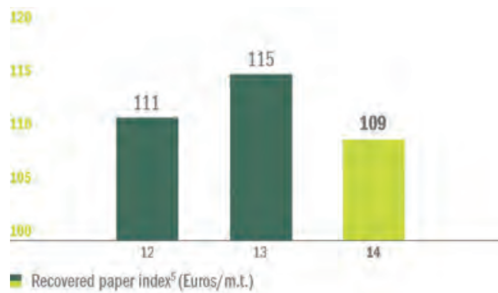
Reference prices - boxboard in Europe [4]

Recycled WLC reference prices remained stable all year long but decreased slightly at the end of the year in Italy and Spain. The economic recovery in 2014 resulted in price increases averaging 20 Euros per tonne for virgin coated duplex boxboard at the beginning of the year. Since then, prices have decreased slightly.



Reference prices - recovered papers in Europe [4]

In 2014, our recovered paper reference index in Europe decreased by 5%, mainly due to lower prices for brown grades, a decrease in Asian demand, higher stocks and planned production outages at paper mills.



1 Source: CEPI Cartonboard

2 The Cascades recycled white-lined chipboard selling prices index represents an approximation of Cascades' recycled grade selling prices in Europe. It is weighted by country. For each country, we use an average of PPI Europe prices for white-lined chipboard.

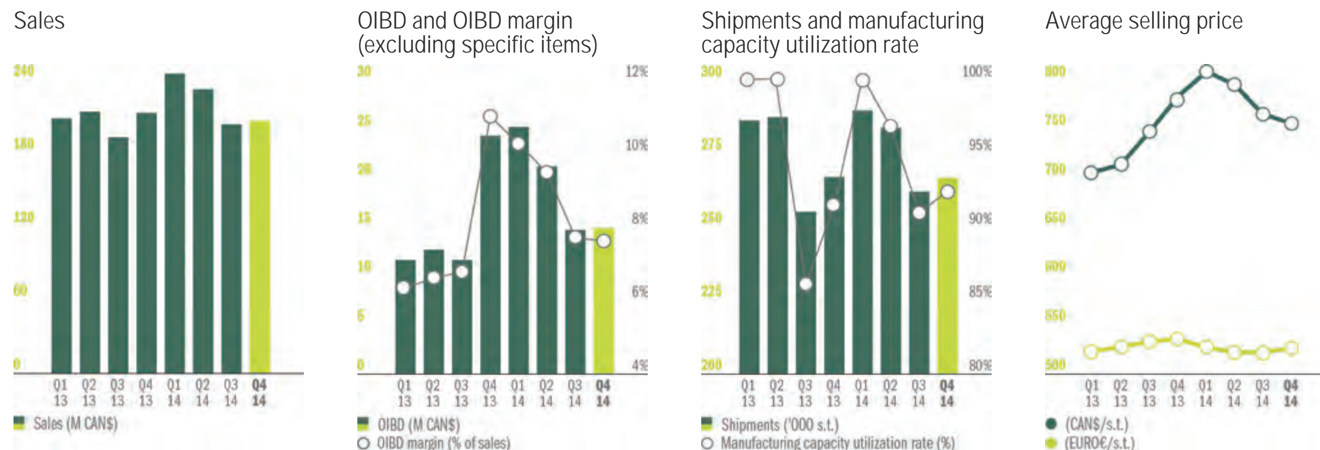
3 The Cascades virgin coated duplex boxboard selling prices index represents an approximation of Cascades' virgin grade selling prices in Europe. It is weighted by country. For each country, we use an average of PPI Europe prices for coated duplex boxboard.

4 Source: RISI

5 The Recovered paper index represents an approximation of Cascades' recovered paper purchase prices in Europe. It is weighted by country. For each country, we use an average of PPI Europe prices for recovered papers. This index should only be used as a trend indicator and may differ from our actual purchasing costs and our purchase mix.

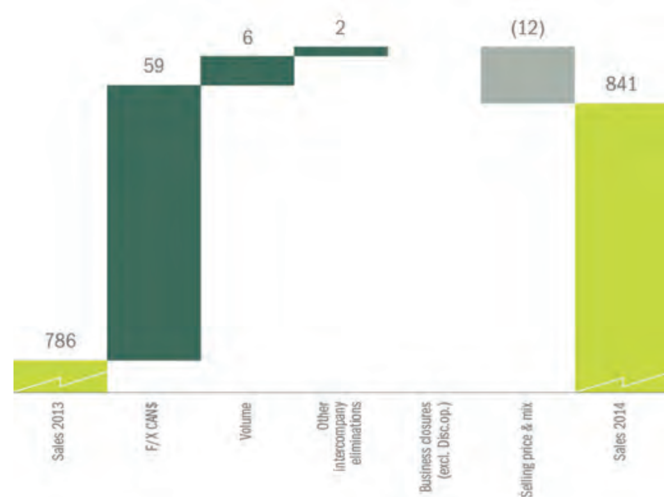
Our Performance

Our 2014 and 2013 results have been adjusted to account for the reclassification of discontinued operations.

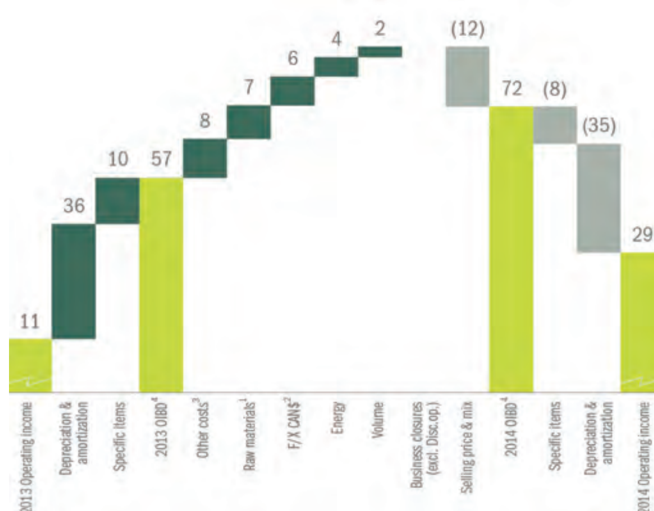


The main variances in sales and operating income for the Boxboard Europe Group are shown below:

Sales ($M)



Operating income ($M)



For Notes 1 to 4, see definitions on page 37.

The Corporation incurred some specific items in 2014 and 2013 that adversely or positively affected its operating results. Please refer to pages 30 to 33 for more details and reconciliation.

	2013	2014	Change in %
Shipments[1] ('000 s.t.)	1,085	1,093	1%
Average Selling Price[2] (CAN$/unit)	723	770	7%
(Euro€/unit)	528	525	-1%
Sales ($M)	786	841	7%
Operating income ($M) (as reported)	11	29	164%
(excluding specific items)	21	37	76%
OIBD ($M) (as reported)	47	64	36%
% of sales	6%	8%	
(excluding specific items)	57	72	26%
% of sales	7%	9%	

1 Shipments do not take into account the elimination of business sector inter-company shipments.
2 Average selling price is a weighted average of virgin and recycled boxboard shipments.

Shipments increased slightly by 8,000 s.t., or 1%, to 1,093,000 s.t. in 2014 compared to 1,085,000 s.t. in 2013. The shipments in our virgin boxboard activities increased, due in part to a pulp tank incident that occurred in the first quarter of 2013 and reduced the production output. On the other hand, the shipments decreased in our recycled boxboard activities due to the challenging environment in Europe and to a machine rebuilt at our Santa Giustina mill in 2014.

The total average selling price went up by $47, or 7%, to $770 per s.t. in 2014 compared to $723 in 2013, resulting mainly from a lower Canadian dollar against the Euro. The average selling price in Euros decreased by €3, to €525 in 2014, compared to €528 in 2013. The recycled activities average selling price is down by €8 while the virgin boxboard activities' average selling price is up by €6 in 2014 compared to 2013.

As a result, the Boxboard Europe Group's sales increased by an amount of $55 million, or 7%, to $841 million in 2014 compared to $786 million in 2013. The 7% depreciation of the Canadian dollar against the Euro is the key factor explaining that increase and accounted for $59 million of it. As well, higher volume coming from our virgin boxboard activities generated $6 million in additional sales but were more than offset by a lower average selling price for $12 million. However, this decrease was mitigated by a favourable mix of product sold and geographic mix of sales.

Excluding specific items, operating income stood at $37 million in 2014 compared to $21 million in 2013, an increase of $16 million. We benefited from a $4 million positive energy impact mainly related to $9 million in white certificates in 2014 compared to $6 million in 2013 (see the "Business Highlights" section for more details). Lower fixed costs and general and administrative expenses explain the majority of a $8 million cost reduction compared to the same period of last year. Lower raw material costs positively contributed as well for $7 million. Finally, the 7% depreciation of the Canadian dollar against the Euro accounted for $6 million of the increase. As explained above, the lower average selling price and mix partly offset the increase for $12 million.

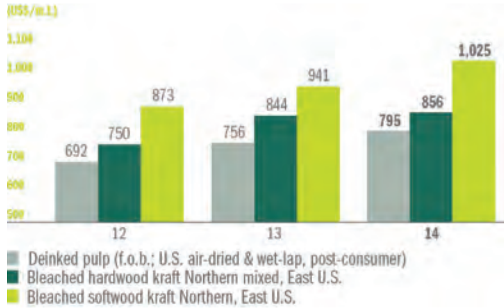
In 2014, the Group recorded impairment charges on property, plant and equipment totaling $7 million on its Iberica recycled boxboard mill in Spain and severances totaling 1 M$ related to previous years plant closures. In 2013, impairment charges of $7 million were recorded on property, plant and equipment at our Marzabotto and Magenta (both in Italy) and Iberica, Spain recycled boxboard mills. Also, severances totaling $3 million were recorded in relation to the consolidation of our recycled boxboard activities. Please refer to page 30 to 33 for more details on specific items recorded in 2014 and 2013.

PACKAGING PRODUCTS - SPECIALTY PRODUCTS

Our Industry

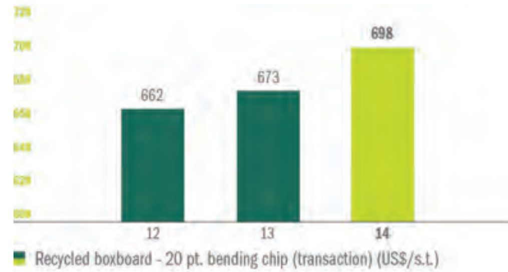
Reference prices - market pulp [1]

In 2014, prices followed a downward trend as a result of lower demand from China, market downtimes and a stronger U.S. dollar. However, average prices of all grades were 1% to 9% higher in 2014 than in 2013.



Reference prices - uncoated recycled boxboard [1]

For a second consecutive year, the reference price for uncoated recycled boxboard increased in 2014. The 4% increase over 2013 can be attributed to market strength and growing order backlogs.

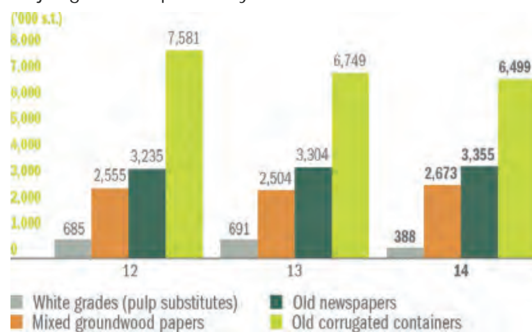


U.S. recycled fibre exports to China [1]

With the sale of our fine papers activities and our exit from the kraft paper market, our recycling and recovery activities represent a more important component of the results of the Specialty Products Group. The relationship between recovered paper supply and demand, particularly from Asia, plays an important role in pricing dynamics. For a second consecutive year, U.S. exports to China decreased in 2014. White grades and old corrugated containers grades decreased by 44% and 4% respectively over 2013 while mixed groundwood papers and old newspapers exports increased by 7% and 2% in 2014 compared to the previous year. The percentage of total U.S exports to China was approximately 3% lower in 2014 than in 2013.

Total U.S. exports of recycled papers to China - all grades

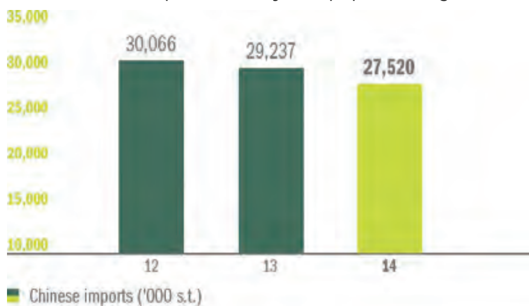
Major grades exported by the U.S.



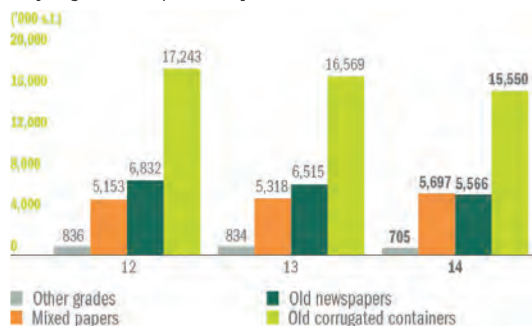
Chinese imports of recycled fibre [1]

Total Chinese imports decreased by 8% between 2012 and 2014, as a result of higher recovery rates and lower demand in China. In 2014, imports of old corrugated containers were 6% lower than in 2013.

Total Chinese imports of recycled papers - all grades



Major grades imported by China

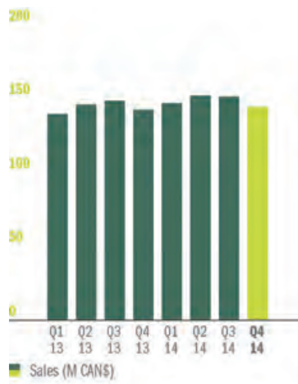


1 Source: RISI

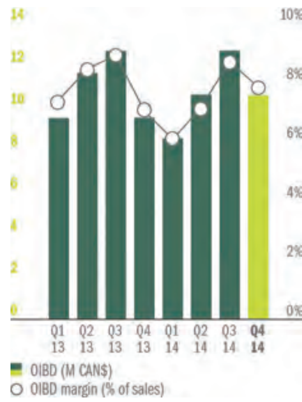
Our Performance

Our 2014 and 2013 results have been adjusted to account for the reclassification of discontinued operations.

Sales



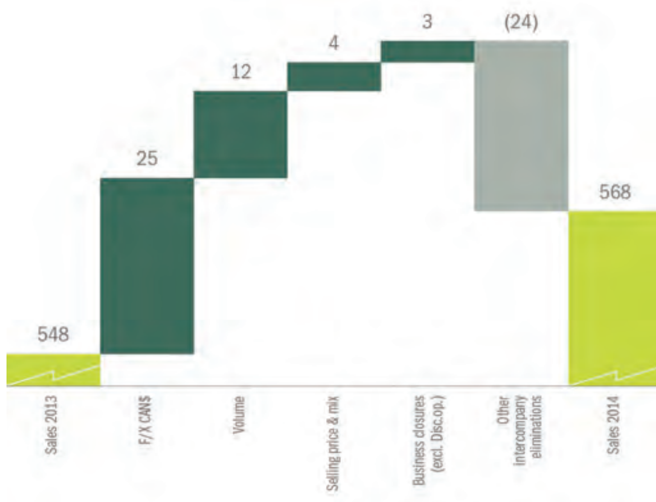
OIBD and OIBD margin (excluding specific items)



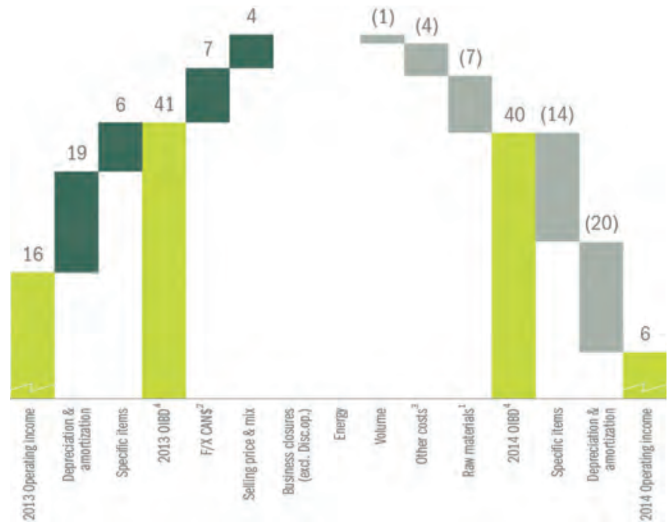
Industrial packaging manufacturing shipments and manufacturing capacity utilization rate

The main variances in sales and operating income for the Specialty Products Group are shown below:

Sales ($M)



Operating income ($M)



For Notes 1 to 4, see definitions on page 37.

The Corporation incurred some specific items in 2014 and 2013 that adversely or positively affected its operating results. Please refer to pages 30 to 33 for more details and reconciliation.

	2013	2014	Change in %
Shipments[1] ('000 s.t.)	168	160	-5%
Sales ($M)	548	568	4%
Operating income ($M) (as reported)	16	6	-63%
(excluding specific items)	22	20	-9%
OIBD ($M) (as reported)	35	26	-26%
% of sales	6%	5%	
(excluding specific items)	41	40	-2%
% of sales	7%	7%	

1 Industrial packaging shipments only. Shipments do not take into account the elimination of business sector inter-company shipments.

Shipments decreased by 8,000 s.t., or 5%, to 160,000 s.t. in 2014, compared to 168,000 s.t. in 2013, due to lower volume in the Industrial Packaging sector.

The Specialty Products Group's sales increased by $20 million, or 4%, to $568 million in 2014, compared to $548 million in 2013. The increase was mainly driven by the 7% depreciation of the Canadian dollar against the U.S. dollar and accounted for $25 million of the increase.

Excluding specific items, operating income stood at $20 million in 2014, compared to $22 million in 2013, a decrease of $2 million. Lower spread mainly resulting from higher resin costs in our Consumer Packaging sector, higher maintenance costs as well increased freight costs due to a different mix of customers and fuel surcharge accounted for $4 million, $3 million and $1 million respectively. These were partly offset by a favourable exchange rate, which accounted for $7 million of the operating income.

In the fourth quarter of 2014, the Group recorded impairment charges of $6 million on property, plant and equipment due to sustained challenging business conditions for a plant manufacturing flexible packaging in our Consumer Packaging sector. Impairment charges of $3 million on other assets were also recorded in the second quarter of 2014.

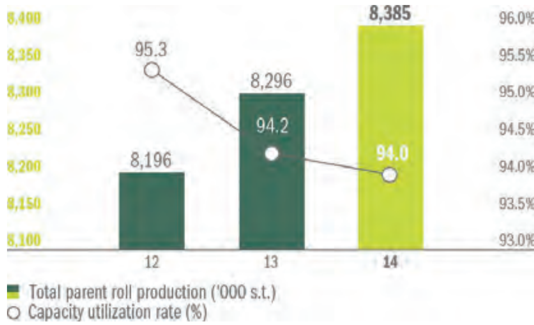
As well in the second quarter of 2014, the Group recorded impairment charges of $2 million on property, plant and equipment and $3 million on spare parts for a plant that was sold to Laurent Lemaire on September 30, 2014, a director and major shareholder of the Corporation, at a value determined to be fair by the independent members of the Board. The independent directors of the Board reviewed all options for this business and determined that the sale to Mr. Lemaire was in the best interests of the Corporation and the employees of the consumer plastics business. Please refer to page 30 to 33 for more details on specific items recorded in 2014 and 2013.

TISSUE PAPERS

Our Industry

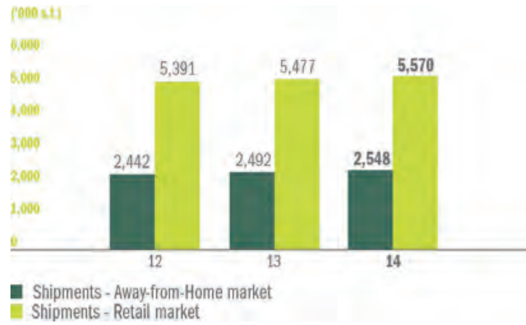
U.S. tissue paper industry - production (parent rolls) and capacity utilization rate [1]

In 2014, parent roll shipments were 1% higher than during the previous year. While the average capacity utilization rate for the year remained stable at 94%, it ended the year at 90% as newly installed capacity ramped up production.



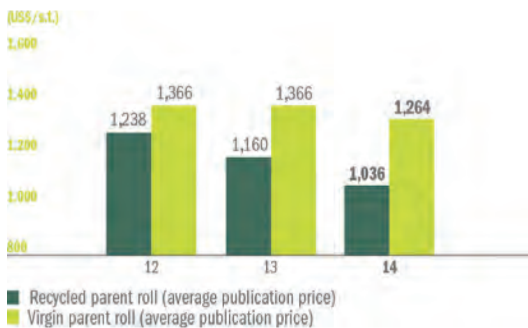
U.S. tissue paper industry - converted product shipments [1]

Both the retail and away-from-home markets continued to grow in 2014, with shipments increasing by 2%.



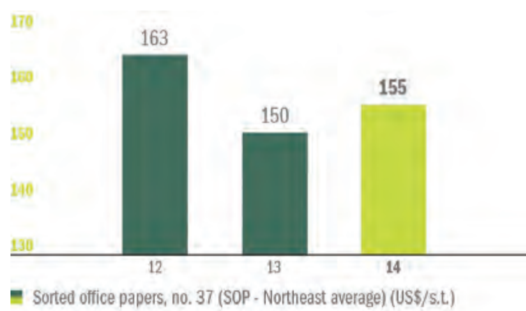
Reference prices - parent rolls [1]

The reference price for recycled parent rolls declined by 11% in 2014, mainly due to favourable recovered paper prices and additional capacity. The reference price for virgin parent rolls decreased by 7% during the year, as additional production capacity more than offset increasing virgin pulp prices.



Reference prices - recovered paper (white grade) [1]

The reference price of Sorted office papers no.37 increased by 3% in 2014, compared to 2013, after two consecutive years of decrease. Greater demand in the U.S. and Mexico pushed prices higher.



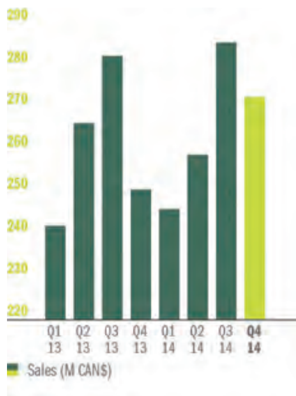
U.S. producer price index - yearly changes in converted tissue prices [2]

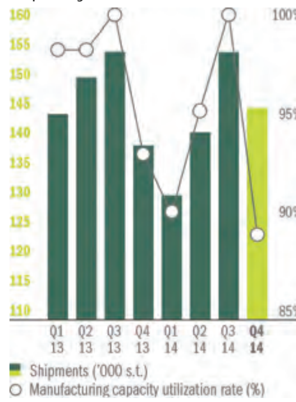
In the U.S., prices for retail toilet tissue and paper towels decreased from 2.5% to 4.4% in 2014 compared to 2013, as intensive promotional activities took place.

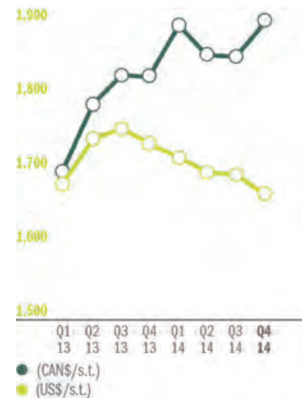
1 *Source: RISI*

2 *Source: U.S. Bureau of Labor Statistics*

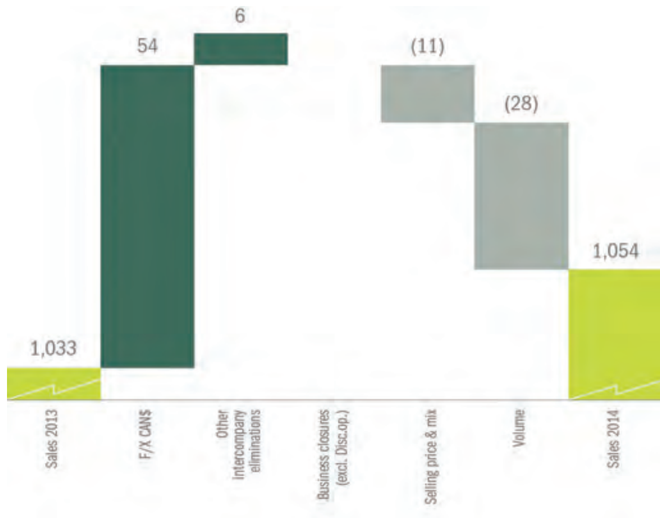
Our Performance

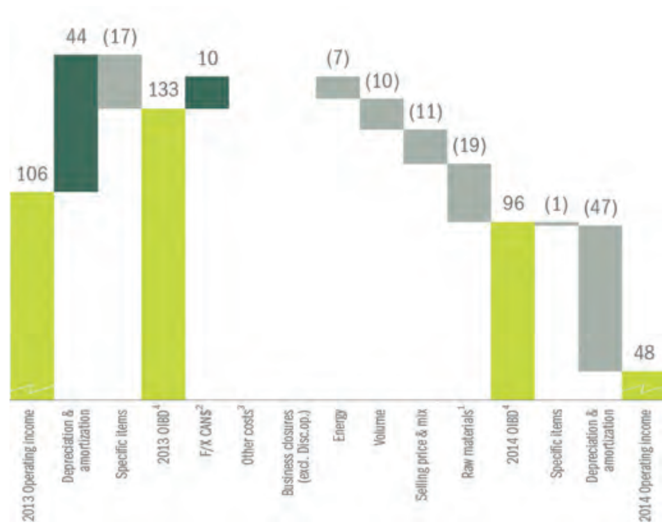






The main variances in sales and operating income for the Tissue Papers Group are shown below:





For Notes 1 to 4, see definitions on page 37.

The Corporation incurred some specific items in 2014 and 2013 that adversely or positively affected its operating results. Please refer to pages 30 to 33 for more details and reconciliation.

	2013	2014	Change in %
Shipments[1] ('000 s.t.)	583	567	-3%
Average Selling Price (CAN$/unit)	1,772	1,860	5%
(US$/unit)	1,720	1,683	-2%
Sales ($M)	1,033	1,054	2%
Operating income ($M) (as reported)	106	48	-55%
(excluding specific items)	89	49	-45%
OIBD ($M) (as reported)	150	95	-37%
% of sales	15%	9%	
(excluding specific items)	133	96	-28%
% of sales	13%	9%	

1 Shipments do not take into account the elimination of business sector inter-company shipments.

Shipments decreased by 16,000 s.t., or 3%, to 567,000 s.t. in 2014, compared to 583,000 s.t. in 2013. Manufacturing external shipments decreased slightly by 2,000 s.t., or 1%, to 161,000 s.t. in 2014, compared to 163,000 s.t. in 2013. Converting shipments decreased by 14,000 s.t., or 3%, to 406,000 s.t. in 2014, compared to 420,000 s.t. in 2013. The decrease is mainly driven by slower demand in our U.S. retail segment.

The total average selling price, went up by $88, or 5%, to $1,860 per s.t. in 2014 compared to $1,772 per s.t. in 2013. The 7% depreciation of the Canadian dollar against the U.S. dollar contributed increasing the average selling price. These gains were partially offset by a price erosion in our Retail Canada segment due to the product mix and a competitive market landscape, combined with lower jumbo rolls selling prices.

As a result, the Tissue Paper Group's sales increased by $21 million, or 2%, to $1,054 million in 2014, compared to $1,033 million in 2013. The $54 million favourable impact of the 7% depreciation of the Canadian dollar against the U.S. dollar more than offset the negative $28 million impact on volume. The lower average selling price, as explained above, had an $11 million negative impact on sales.

Excluding specific items, operating income stood at $49 million in 2014, compared to $89 million in 2013, for a decrease of $40 million, or 45%. Lower shipments in our U.S. retail market mostly contributed to a negative volume impact of $10 million. An erosion of spread driven by a raw material increase, a higher virgin pulp usage and a lower average selling price has also negatively impacted profitability by an amount of $30 million. The increase in manufacturing expenses is impacted by the current volume situation which has been offset by lower sub-contracting costs as we completed the installation of a new production line in order to increase our U.S. converting capacity. The cold weather in the Northeast in the first quarter of 2014 explains an amount of $4 million of the $7 million negative energy impact. A favourable exchange rate increased operating income by $10 million.

In 2014, the Tissue Papers Group recorded a $1 million restructuring cost related to a severance cost for lay-off communicated to employees during the last quarter of the year, affecting our Toronto converting facility. This layoff is part of a supply chain improvement initiative started in 2014. This initiative will optimize our manufacturing capacity between Canada and the U.S., in order that we can be closer to the market by improving our distribution network.

In 2013, the Group recorded a $17 million reversal of impairment on its Memphis, Tennessee manufacturing mill. The Corporation had initially recorded an impairment charge of $22 million as at transition date to IFRS on January 1, 2010, due to operational challenges. Since then, the Corporation has implemented a Group Best Practices program to maximize efficiency at all of its plants. These actions contributed to solving operating difficulties at the Memphis mill.

CORPORATE ACTIVITIES

The operating loss in 2014 includes an unrealized loss of $6 million on financial instruments compared to an unrealized loss of $2 million in 2013. In the first quarter of 2013, the Corporation recorded a $5 million charge due to the establishment of employment contracts in favour of the new CEO and the Presidents of its Containerboard, Specialty Products and Tissue Papers business segments. Operating loss in 2014 was positively impacted compared to 2013, as we incurred lower costs in connection with our information system transformation and lower corporate expenses. In 2014, the operating loss includes a $3 million loss representing direct costs incurred by the Corporation resulting from fire incidents at its Niagara Falls mill and Etobicoke converting plant both in our Containerboard Group.

OTHER ITEMS ANALYSIS

DEPRECIATION AND AMORTIZATION

The depreciation and amortization expense increased by $7 million, to $174 million in 2014, compared to $167 million in 2013. The impairment charges recorded in the last twelve months decreased the depreciation and amortization expense for 2014, but have been more than offset by capital investments completed during the last twelve months. The depreciation of the Canadian dollar against the Euro and the U.S. dollar also increased the depreciation expense from our European and U.S. operations, for $5 million.

FINANCING EXPENSE AND INTEREST ON EMPLOYEE FUTURE BENEFITS

The financing expense and interest on employee future benefits decreased by $5 million to $107 million in 2014 compared to $112 million in 2013. The depreciation of the Canadian dollar against the Euro and the U.S. dollar increased the interest expense by approximately $4 million, but this factor was more than offset following the refinancing of senior notes at lower interest rates by approximately $7 million.

Interest expense on the employee future benefits obligation decreased by $2 million to $6 million in 2014 compared to $8 million in 2013, due to good investment returns in 2013. Despite a significant decrease in discount rates, good investment returns in 2014 will allow interest expense on employee future benefits to remain stable in 2015. This expense does not require any cash payment by the Corporation.

During the fourth quarter of 2014, Standard & Poor's, a rating service agency, upgraded the unsecured debt rating to "B+" of the Corporation from "B" following the review of its recovery analysis methodology calculation. During the second quarter of 2013, Standard & Poor's downgraded the long-term corporate credit rating of the Corporation to "B+" from "BB-" on slower de-leveraging, with a stable outlook. This has caused an increase, of 37.5 basis points, in the interest rate on our revolving credit facility in the second half of 2013 and for future periods.

In 2013, the Corporation recorded an unrealized gain of $1 million on financial instruments on interest rate swaps.

In 2014, we refinanced our 7.75% unsecured senior notes of US$500 million and $200 million, due in 2017 and in 2016, respectively. The Corporation issued 5.50% unsecured senior notes of US$550 million, due in 2022, and 5.50% unsecured senior notes of $250 million, due in 2021. We allocated the proceeds of these new notes to repurchase the US$500 million notes due in 2017 and the $200 million notes due in 2016. The remaining amounts (US$50 million and $50 million) were used to pay a premium totaling $31 million and refinancing costs of $13 million and to reduce our credit facility utilization. The refinancing of these notes will reduce our future interest expense by approximately US$8 million and $6 million annually.

Following the refinancing of the Corporation's unsecured senior notes on June 19, 2014, we recorded premiums of $30 million to repurchase and redeem our existing notes before their maturities. We also wrote-off financing costs and discounts related to the redeemed notes, in the amount of $14 million.

PROVISION FOR INCOME TAXES

In 2014, the Corporation recorded an income tax provision of $16 million, for an effective tax rate of 7%. The provision for (recovery of) income taxes based on the effective income tax rate differs from the provision for (recovery of) income taxes based on the combined basic rate for the following reasons:

(in millions of Canadian dollars)	2014	2013
Provision for (recovery of) income taxes based on the combined basic Canadian and provincial income tax rate	(12)	17
Adjustment of provision for (recovery of) income taxes arising from the following:		
Difference in statutory income tax rate of foreign operations	1	5
Reassessment	3	1
Permanent differences - others	22	(2)
Change in unrecognized temporary differences	2	(2)
	28	2
Provision for income taxes	16	19

In 2014, we optimized our North American capital structure and incurred a one-time withholding tax of $14 million, included in the permanent differences in the above table.

The income tax provision is mainly impacted by the weighted average of taxable income in each jurisdiction. The tax provisions for the foreign exchange gain or loss on long-term debt and related financial instruments, and our share of the results of our Canadian associates and joint ventures are calculated at the rate of capital gain.

As for our United States-based joint ventures and associates, which are mostly composed of the Greenpac mill, our share of results is taxed based on the statutory tax rate. Moreover, as Greenpac is a limited liability company (LLC), partners agreed to account for it as a disregarded entity. As such, income taxes at the United States statutory tax rate are fully integrated into each partner's consolidated income tax provision based on its respective share in the LLC, and no income tax provision is included in Greenpac's net earnings.

The effective tax rate and current income taxes are affected by the results of certain subsidiaries and joint ventures located in countries, notably the United States, France and Italy, where the income tax rate is higher than in Canada. The normal effective tax rate is expected to be in the range of 26% to 39%. In fact, the weighted-average applicable tax rate was 26.5% in 2014.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

The share of results of associates and joint ventures is partly represented by our 34.23% interest in Boralex Inc. (“Boralex”), a Canadian public corporation that is a major electricity producer whose core business is the development and operation of power stations that generate renewable energy, with operations in the north-eastern United States, Canada and France. To finance its acquisition of Enel Green Power France, in December 2014, Boralex proceeded, in January 2015, to the issuance of common shares which diluted our participation to 27.4% at that time.

We are also recording our share (59.7%) of the results of our associate, Greenpac mill. In 2014, Greenpac had a $3 million negative contribution to our share of results of associates and joint ventures. No provision for income taxes is included in our Greenpac share of results, as it is a disregarded entity for tax purposes (see the "Provision for income taxes" section just above for more details).

RESULTS OF DISCONTINUED OPERATIONS

Refer to the "Financial Overview" section on pages 20 to 21 for all details on results and cash flows from discontinued operations.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS

Continuing operating activities generated $231 million of operating cash flow in 2014 compared to $236 million in 2013. Changes in non-cash working capital components used $13 million in liquidity in 2014 compared to generation of $5 million in 2013. The first half of the year normally requires cash for working capital purposes, due to seasonal variations. During the first quarter of the year, we always notice an increase in pre-paid expenses and payment of year-end volume rebates. Moreover, inventory build-up normally takes place during the first half of the year for the forthcoming summer. In the first quarter of 2014, our working capital increased due to higher inventory levels following softer demand, particularly in our tissue papers business, and higher sales volume towards the end of March. Demand in our Tissue Papers Group has improved since the first quarter, but inventory of jumbo rolls remains high. Also, in Europe, a reduction of $17 million (€12 million) in factoring of accounts receivable contributed to increased working capital requirements during the year. However, actions taken since 2012 to improve our working capital of the last twelve months (LTM) as a percentage of sales continue to show positive results. As at December 31, 2014, the level of working capital as a percentage of LTM sales stands at 12.3%.

Cash flow from operating activities from continuing operations, excluding the change in non-cash working capital components, stood at the amount of $244 million in 2014, compared to $231 million in 2013. In 2014, cash flows from operating activities from continuing operations were reduced by refinancing costs paid, totaling $31 million. Interest paid in 2014 was lower than in 2013, following our June 2014 refinancing, which postponed our interest payments on our senior notes from December to January. We benefited from a net income tax reimbursement of $14 million and from lower pension and post-benefits payments, compared to 2013. This cash flow measurement is significant, since it positions the Corporation to pursue its capital expenditures program and reduce its indebtedness.

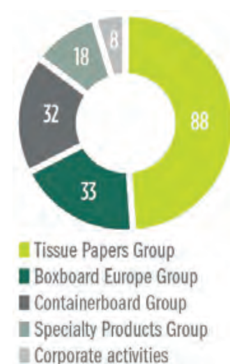
INVESTING ACTIVITIES FROM CONTINUING OPERATIONS

Investment activities required total cash resources of $173 million in 2014 and 2013. Capital expenditure payments accounted for $171 million in 2014, compared to $126 million in 2013, net of proceeds of disposals in the amount of $7 million in 2014, compared to $12 million in 2013. Other assets and investments in associates and joint ventures required $2 million in 2014, compared to $47 million in 2013.

PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

Capital expenditure projects paid for in 2014 amounted to $178 million, compared to $138 million in 2013. New capital expenditure projects in 2014 amounted to $179 million, compared to $147 million in 2013. The remaining amounts are related to the variation in purchases of property, plant and equipment included in "Trade and Other Payables" and to capital-lease acquisitions and acquisitions included in "Other debts".

New capital expenditure projects by sector were as follows in 2014 (in $M):



The major capital projects initiated, in progress or completed in 2014 are as follows:

CONTAINERBOARD

- $13 million for the acquisition and installation of two new printing presses at the Québec plants of Vaudreuil and Drummondville, which specialize in manufacturing corrugated packaging products. This investment will allow us to respond more quickly to our customers' needs, offer packaging products of greater quality and increase our productivity.
- $10 million for which grants were awarded, at our Cabano mill, for the installation of a new water pulp process, which will increase our return on wood-chips and reduce chemical usage and atmospheric emissions.

BOXBOARD EUROPE

- $21 million in order to rebuild the wet-end section and for the installation of a belt calender at the Santa Giustina recycled boxboard mill, in Italy, that will allow a reduction of energy consumption, increase productivity and improve quality.

TISSUE PAPERS

- $34 million, as part of the recently announced project to convert and start a second paper machine at our Oregon mill.
- $20 million for a new building and a new towel line that will allow us to increase our production capacity in Wagram, North Carolina.

Other capital projects initiated, in progress or completed across the Corporation have been paid for in 2014 but are not significant enough to be described.

PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

In 2014, the main transactions composing the $7 million in proceeds on disposal of property, plant and equipment were as follows:

- The Containerboard Group sold a building related to a plant that had previously been closed, for proceeds of $3 million.
- The Boxboard Europe Group, specifically RdM, sold some equipment coming from a plant that had been closed in 2013 and received proceeds of $2 million in 2014.

INVESTMENTS IN INTANGIBLE AND OTHER ASSETS, AND INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

In 2014, the Corporation also invested in other assets and made investments in associates and joint ventures in the amount of $2 million compared to $47 million in 2013. The main investments of 2014 and 2013 were as follows:

2014

- $5 million for the modernization of our financial information system to an ERP information technology system.
- Greenpac repaid $2 million on its bridge loan from the Corporation.
- $1 million from the reimbursement of notes receivable coming from business sold in 2011.

2013

- US$30 million ($32 million) for our Greenpac project in our Containerboard Group segment.
- $14 million for the modernization of our financial information system to an ERP information technology system.

FINANCING ACTIVITIES FROM CONTINUING OPERATIONS

DEBT REFINANCING

In 2014, we refinanced our 7.75% unsecured senior notes of US$500 million and $200 million, due in 2017 and in 2016, respectively. The Corporation issued 5.50% unsecured senior notes of US$550 million, due in 2022, and 5.50% unsecured senior notes of $250 million, due in 2021. We allocated the proceeds of these new notes to repurchase the US$500 million notes due in 2017 and the $200 million notes due in 2016.

Issuance proceeds were used as follows:

(in millions of Canadian dollars)	
Debt issuance	846
Offering and tender offer fees	(13)
Refinanced debt repurchase	(740)
Premium paid on refinanced debt	(31)
Decrease of credit facility	(62)

In 2013, the Corporation repurchased US$4 million of its 7.25% unsecured senior notes for an amount of US$4 million ($4 million) and the amount of US$6 million of its 6.75% unsecured senior notes, for an amount of US$6 million ($6 million). No gain or loss resulted from these transactions.

In 2013, the Corporation also paid US$4 million ($4 million) for the settlement of derivative financial instruments related to its 7.25% unsecured senior notes and US$10 million ($10 million) for the settlement of derivative financial instruments related to its 6.75% unsecured senior notes.

The Corporation redeemed 77,400 of its common shares on the open market in 2014, pursuant to a normal-course issuer bid. The Corporation also issued 376,025 common shares following the exercise of stock options, for an amount of $1 million received. Including the $15 million in dividends paid out in 2014, financing activities from continuing operations, including debt repayment and the change in our revolving facility, required $105 million in liquidity, compared to requirements of $49 million in the same period of 2013.

CONSOLIDATED FINANCIAL POSITION

AS AT DECEMBER 31, 2014, 2013 AND 2012

The Corporation's financial position and ratios are as follows:

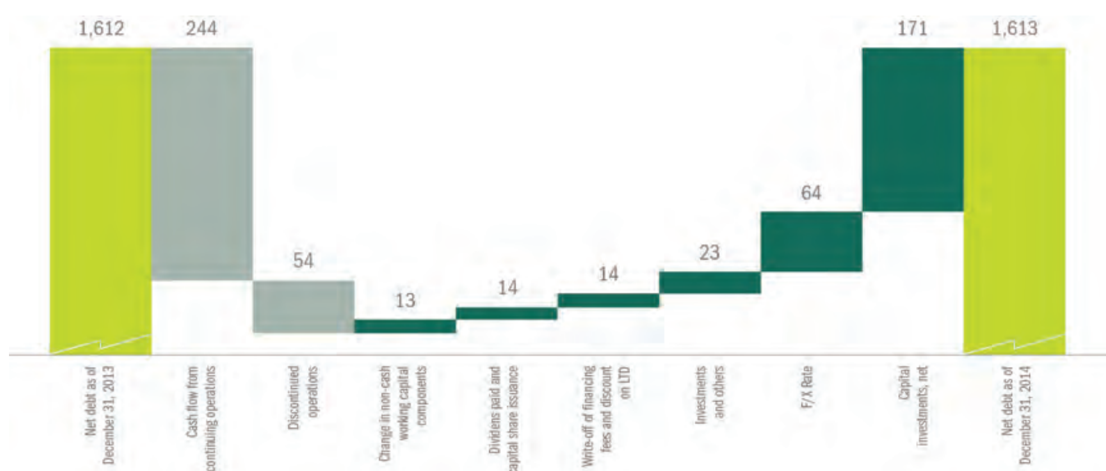
(in millions of Canadian dollars, unless otherwise noted)	2014	2013	2012
Cash and cash equivalents	29	23	20
Working capital[1]	379	455	455
% of sales[2]	12.3%	12.9%	14.4%
Bank loans and advances	46	56	80
Current portion of other long-term debt	40	39	60
Long-term debt	1,556	1,540	1,415
Total debt	1,642	1,635	1,555
Net debt (total debt less cash and cash equivalents)	1,613	1,612	1,535
Equity attributable to Shareholders	893	1,081	978
Total equity	1,003	1,194	1,094
Total equity and net debt	2,616	2,806	2,629
Ratio of net debt/(total equity and net debt)	61.7%	57.4%	58.4%
Shareholders' equity per share (in dollars)	$ 9.48	$ 11.52	$ 10.42

1 Working capital includes accounts receivable (excluding the short-term portion of other assets) plus inventories less trade and other payables. It includes the working capital of our North American assets that were reclassified as held for sale.

2 % of sales = Average LTM working capital/LTM sales. It includes or excludes significant business acquisitions and disposals, respectively, of the last twelve months, on a pro forma basis. Including the results of our discontinued operations on an LTM basis.

NET DEBT RECONCILIATION

The variances in the net debt (total debt less cash and cash equivalents) in 2014 are shown below (in M$), with the applicable financial ratios included (2013 OIBD excluding specific items includes the results of the discontinued operations):



352	OIBD excluding specific items (last twelve months)	340
4.6	Net debt[1]/OIBD excluding specific items	4.7

1 Net debt does not include the impact of the sale of our North American boxboard assets, the results of which were reclassified as discontinued operations. The transaction closed in February 2015 and the Corporation received proceeds of $46 million (including $1 million of working capital adjustment). However, as per the sale agreement, we have to compensate for the pension plan deficit, which is estimated at $4 million and is expected to be paid in the first quarter of 2015.

Liquidity available via the Corporation's credit facilities, along with the expected cash flow generated by its operating activities, will provide sufficient funds to meet its financial obligations and to fulfill its capital expenditure program. Capital expenditure requests for 2015 are initially approved at $150 million. This amount is subject to change, depending on the Corporation's operating results and on general economic conditions. As at December 31, 2014, the Corporation had $410 million (net of letters of credit in the amount of $8 million) available through its $750 million credit facility. In 2013, the Corporation issued $23 million in new letters of credit in connection with the Greenpac project, which expired in December 2014.

EMPLOYEE FUTURE BENEFITS

The Corporation's employee future benefits assets and liabilities amounted to $453 million and $621 million respectively as at December 31, 2014, including an amount of $109 million for post-retirement benefits other than pension plans. These pension plans include an amount of $60 million, which does not require any funding by the Corporation until it is paid to the employees. This amount is not expected to increase, as the Corporation is reviewing its benefits program to phase out some of them for the majority of future retirees.

With regard to pension plans, the Corporation's risk is limited, since all defined benefit pension plans are closed to new employees and as less than 10% of its active employees are subject to those pension plans, while the remaining employees are part of the Corporation's defined-contribution plans, such as group RRSPs or 401(k). Based on their balances as at December 31, 2014, 100% of the Corporation pension plans have been evaluated on December 31, 2013 (45% in 2012). Where applicable, Cascades used the measurement relief allowed by law in order to reduce the impact of its increased current contributions.

Considering the assumptions used and the asset ceiling limit, the deficit status for accounting purposes of its pension plans amounted to $59 million as at December 31, 2014, compared to $44 million in 2013. The 2014 pension plan expense was $12 million less a curtailment gain of $7 million, and the cash outflow was $15 million and we had a refund of $6 million from closed plans. Due to the good investment returns in 2014, the change in the assumptions and the sale or closure of some divisions, the expense for these pension plans is expected to decrease by $4 million in 2015. As for the cash flow requirements, these pension plans are expected to require a net contribution of approximately $14 million in 2015. Finally, on a consolidated basis, the solvency ratio of the Corporation's pension plans will remain stable at around 100%.

COMMENTS ON THE FOURTH QUARTER OF 2014

Sales increased by $35 million, or 4%, to $879 million in the fourth quarter of 2014, compared to $844 million in the same period of 2013, resulting from the 8% decrease of the Canadian dollar against the U.S. dollar and the increase in our shipments. These factors were partly offset by lower average selling prices in our Boxboard Europe and Tissue Papers activities.

The Corporation generated an operating income of $13 million in the fourth quarter of 2014, compared to $53 million in the same period of 2013, a decrease of $40 million. The reduction in operating income mainly comes from the specific items recorded in the fourth quarter of 2014, as described on pages 30 to 33. Higher volumes and the 8% depreciation of the Canadian dollar against the U.S. dollar generated a favourable impact. These factors were more than offset, however, by higher raw material costs especially in our containerboard sector, and by lower average selling prices and lower energy credits ($4 million) in our Boxboard Europe segment. In 2013, the fourth-quarter results of our Containerboard Group were positively impacted by a $5 million post-retirement benefits adjustments. On a segmented basis, our boxboard Europe and tissue papers operations posted lower results, while our containerboard and specialty products activities were stable. Excluding specific items, the operating income stood at $38 million in the fourth quarter of 2014, compared to $54 million in the same period of 2013.

In the fourth quarter of 2014, the following specific items before income taxes impacted our results:

- a $5 million provision following a class-action lawsuit settlement in the Containerboard segment;
- a $13 million impairment charge in our Boxboard Europe and Specialty Products groups;
- a $2 million charge related to restructuring measures;
- a $5 million unrealized loss on derivative financial instruments;
- a $13 million foreign exchange loss on long-term debt and financial instruments;
- a $2 million loss related to the share of results of associates, joint-ventures;
- a $5 million reversal of the above mentioned items attributable to non-controlling interests;
- a $36 million loss from impairment charges and restructuring costs of discontinued operations.

Net earnings excluding specific items amounted to $8 million, or $0.08 per share, in the fourth quarter of 2014, compared to $18 million, or $0.19 per share, for the same period of 2013. Including specific items, the net loss stood at $47 million, or $0.51, per share, compared to net earnings of $6 million, or $0.05 per share, for the same period of 2013.

The reconciliation of the specific items included in operating income (loss) by business segment is as follows:

For the 3-month period ended December 31, 2014

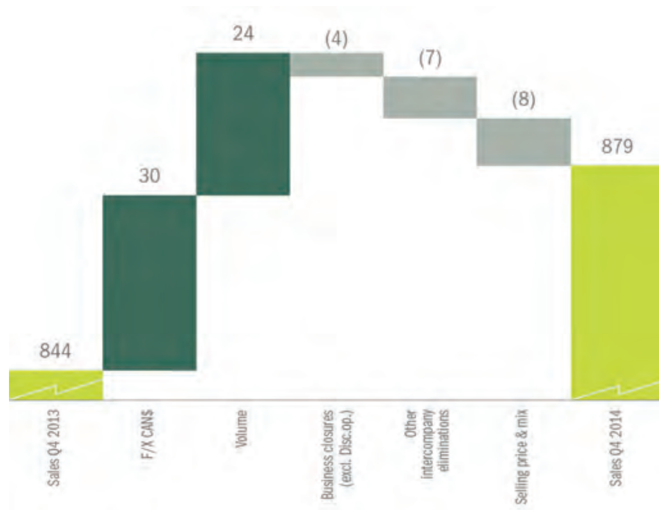
	Including Discontinued Operations					Exclusion of Discontinued Operations			Total
(in millions of Canadian dollars)	Container-board	Boxboard Europe	Specialty Products	Tissue Papers	Corporate activities	Container-board	Boxboard Europe	Specialty Products	Consoli-dated
Operating income (loss)	(6)	(2)	(6)	8	(15)	29	1	4	13
Depreciation and amortization	16	7	6	12	4	(1)	—	—	44
Operating income (loss) before depreciation and amortization	10	5	—	20	(11)	28	1	4	57
Specific items :									
Loss on acquisitions, disposals and others	5	—	3	—	—	—	—	(3)	5
Impairment charges	31	7	6	—	—	(31)	—	—	13
Restructuring costs	—	2	1	1	—	—	(1)	(1)	2
Unrealized loss on financial instruments	1	—	—	—	4	—	—	—	5
	37	9	10	1	4	(31)	(1)	(4)	25
Operating income (loss) before depreciation and amortization - excluding specific items	47	14	10	21	(7)	(3)	—	—	82
Operating income (loss) - excluding specific items	31	7	4	9	(11)	(2)	—	—	38

For the 3-month period ended December 31, 2013

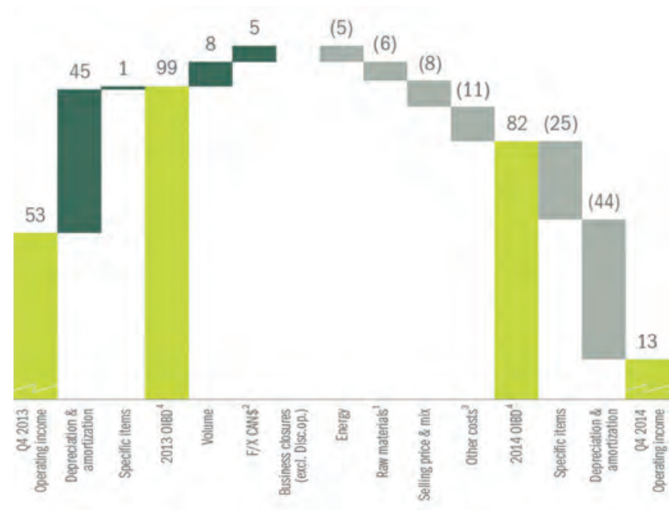
	Including Discontinued Operations					Exclusion of Discontinued Operations			Total
(in millions of Canadian dollars)	Container-board	Boxboard Europe	Specialty Products	Tissue Papers	Corporate activities	Container-board	Boxboard Europe	Specialty Products	Consoli-dated
Operating income (loss)	29	(10)	4	36	(14)	—	13	(5)	53
Depreciation and amortization	16	10	6	13	3	(1)	—	(2)	45
Operating income (loss) before depreciation and amortization	45	—	10	49	(11)	(1)	13	(7)	98
Specific items :									
Impairment charges (reversals)	1	17	6	(17)	—	—	(10)	—	(3)
Restructuring costs	2	4	—	—	—	—	(1)	—	5
Unrealized gain on financial instruments	(1)	—	—	—	—	—	—	—	(1)
	2	21	6	(17)	—	—	(11)	—	1
Operating income (loss) before depreciation and amortization - excluding specific items	47	21	16	32	(11)	(1)	2	(7)	99
Operating income (loss) - excluding specific items	31	11	10	19	(14)	—	2	(5)	54

The main variances in sales and operating income in the fourth quarter of 2014, compared to the same period of 2013, are shown below:

Sales ($M)



Operating income ($M)



For Notes 1 to 4, see definitions on page 37.

NEAR-TERM OUTLOOK

With certain important restructuring initiatives of our action plan implemented during 2014, we will focus on getting the most out of our renewed operating platform during the next year. Demand for Packaging Products seems good as we start the year and most business drivers should provide tailwinds in 2015. We are still expecting challenging conditions in 2015 in the tissue sector and we took additional downtime during the first quarter of 2015 for equipment maintenance and upgrades. However, our new tissue sites in the U.S. will gradually add to our results in 2015 and we expect Greenpac to contribute positively to EPS. Hence, following all the difficult decisions taken in 2014, we are confident that our margins will be higher this year. Coupled with prudent management of our cash flows, including lower capital expenditures, our leverage ratios should also improve despite the impact of a weaker Canadian dollar on our financial situation.

CAPITAL STOCK INFORMATION

As at December 31, 2014, issued and outstanding capital stock consisted of 94,186,474 common shares (93,887,849 as at December 31, 2013), and 6,432,328 stock options were issued and outstanding (6,656,423 as at December 31, 2013). In 2014, 546,155 options were granted, 376,025 options were exercised and 394,225 options expired or were forfeited. As well, in 2014, 77,400 common shares were redeemed by the Corporation. As at March 12, 2015, issued and outstanding capital stock consisted of 94,219,380 common shares and 6,327,120 stock options.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

The Corporation's principal contractual obligations and commercial commitments relate to outstanding debt, operating-leases and obligations for its pension and post-employment benefit plans. The following table summarizes these obligations as at December 31, 2014:

CONTRACTUAL OBLIGATIONS

Payment due by period (in millions of Canadian dollars)	TOTAL	LESS THAN A YEAR	BETWEEN 1-2 YEARS	BETWEEN 2-5 YEARS	OVER 5 YEARS
Long-term debt and capital-leases, including capital and interest	2,108	132	428	245	1,303
Operating leases	64	22	16	20	6
Pension plans and other post-employment benefits[1]	1,396	58	37	121	1,180
Total contractual obligations	3,568	212	481	386	386

[1] These amounts represent all the benefits payable to current members during the following years and thereafter without limitations. The majority of benefit payments are payable from trustee-administered funds. The difference will come from future investment returns expected on plan assets and future contributions that will be made by the Corporation for services rendered after December 31, 2014.

TRANSACTIONS WITH RELATED PARTIES

The Corporation has also entered into various agreements with its joint-venture partners, significantly influenced companies and entities that are affiliated with one or more of its directors, for the supply of raw material, including recycled paper, virgin pulp and energy, as well as the supply of unconverted and converted products, and other agreements entered into in the normal course of business. Aggregate sales by the Corporation to its joint-venture partners and other affiliates totaled $124 million and $110 million for 2014 and 2013 respectively. Aggregate sales to the Corporation from its joint-venture partners and other affiliates came to $181 million and $110 million for 2014 and 2013 respectively.

Starting in June 2013, the Corporation entered into a take-or-pay agreement with its associate Greenpac. For a period of eight years, the Corporation has the obligation to purchase a minimum quantity of 340,000 short tons per year from Greenpac. If the Corporation fails to purchase the minimum quantity, it must compensate Greenpac for the lost gross margin on those short tons. Included in commitments in Note 27 is the minimum amount to be paid to Greenpac, which corresponds to the potential lost gross margin on 340,000 tons.

On September 30, 2014, the Corporation sold a plant manufacturing consumer goods made from recovered plastics in its Specialty Products Group, to Laurent Lemaire, a director and major shareholder of the Corporation, at a value determined to be fair by the independent members of the Board. The independent directors of the Board reviewed all options for this business and determined that the sale to Mr. Lemaire was in the best interests of the Corporation and the employees of the consumer plastics business.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

A) NEW IFRS ADOPTED

IFRS 7 — FINANCIAL INSTRUMENTS DISCLOSURES

IFRS 7 requires disclosure of both gross and net information about financial instruments eligible for offset in the balance sheet and financial instruments subject to master netting arrangements. Concurrent with the amendments to IFRS 7, the IASB also amended IAS 32, Financial Instruments: Presentation to clarify the existing requirements for offsetting financial instruments in the balance sheet. The amendments to IAS 32 were effective as of January 1, 2014. The Corporation evaluated this standard and there is no impact on the consolidated financial statements.

B) RECENT IFRS PRONOUNCEMENTS NOT YET ADOPTED

IFRS 15 — REVENUE RECOGNITION

In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers. IFRS 15 replaces all previous revenue recognition standards, including IAS 18 - Revenue, and related interpretations such as IFRIC 13 - Customer Loyalty Programs. The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces more prescriptive guidance than was included in previous standards and may result in changes in classification and disclosure in addition to changes in the timing of recognition for certain types of revenues. The new standard is effective for annual periods beginning on or after January 1, 2017 with early adoption permitted. At this time, the Corporation is reviewing the impact that this standard will have on its consolidated financial statements.

IFRS 9 — FINANCIAL INSTRUMENTS

In July 2014, the IASB released the final version of IFRS 9, Financial Instruments. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models for debt instruments in IAS 39, Financial Instruments: Recognition and Measurement, with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are recognized either at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss insofar as they do not clearly represent a return on investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities carry forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in the statement of other comprehensive income. It also includes guidance on hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Corporation is currently evaluating the impact of the standard on its consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and disclosure of contingencies at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. On a regular basis and with the information available, Management reviews its estimates, including those related to environmental costs, employee future benefits, collectability of accounts receivable, financial instruments, contingencies, income taxes, useful life and residual value of property, plant and equipment and impairment of property, plant and equipment and intangible assets. Actual results could differ from those estimates. When adjustments become necessary, they are reported in earnings in the period in which they occur.

A. IMPAIRMENT OF LONG-LIVED ASSETS, INTANGIBLE ASSETS AND GOODWILL

In determining the recoverable amount of an asset or a CGU, the Corporation uses several key assumptions, based on external information on the industry when available, and including estimated production levels, selling prices, volume, raw material costs, foreign exchange rates, growth rates, discounting rates and capital spending.

The Corporation believes its assumptions are reasonable. Based on available information at the assessment date, however these assumptions involve a high degree of judgment and complexity. Management believes that the following assumptions are the most susceptible to change and therefore could impact the valuation of the assets in the next year.

DESCRIPTION OF SIGNIFICANT IMPAIRMENT TESTING ASSUMPTIONS (see Notes 5 and 24)

GROWTH RATES

The assumptions used were based on the Corporation's internal budget. Revenues, operating margins and cash flows were projected for a period of five years, and a perpetual long-term growth rate was applied thereafter. In arriving at its forecasts, the Corporation considered past experience, economic trends such as gross domestic product growth and inflation, as well as industry and market trends.

DISCOUNT RATES

The Corporation assumed a discount rate in order to calculate the present value of its projected cash flows. The discount rate represents a weighted average cost of capital ("WACC") for comparable companies operating in similar industries of the applicable CGU, group of CGUs or reportable segment, based on publicly available information.

FOREIGN EXCHANGE RATES

Foreign exchange rates are determined using the financial institutions' average forecast for the first two years of forecasting. For the three following years, the Corporation uses the last five years' historical average of the foreign exchange rate. Terminal rate is based on historical data of the last 20 years and adjusted to reflect management best estimate.

Considering the sensitivity of the key assumptions used, there is measurement uncertainty since adverse changes in one or a combination of the Corporation's key assumptions could cause a significant change in the carrying amounts of these assets.

B. INCOME TAXES

The Corporation is required to estimate the income taxes in each jurisdiction in which it operates. This includes estimating a value for existing tax losses based on the Corporation's assessment of its ability to use them against future taxable income before they expire. If the Corporation's assessment of its ability to use the tax losses proves inaccurate in the future, more or less of the tax losses might be recognized as assets, which would increase or decrease the income tax expense and, consequently, affect the Corporation's results in the relevant year.

C. EMPLOYEE BENEFITS

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on years of service and Management's best estimate of expected plan investment performance, salary escalations, retirement ages of employees and expected healthcare costs. The accrued benefit obligation is evaluated using the market interest rate at the evaluation date. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed annually.

CRITICAL JUDGMENTS IN APPLYING THE CORPORATION'S ACCOUNTING POLICIES

SUBSIDIARIES AND EQUITY ACCOUNTED INVESTMENTS

Significant judgment is applied in assessing whether certain investment structures result in control, joint control or significant influence over the operations of the investment. Management's assessment of control, joint control or significant influence over an investment will determine the accounting treatment for the investment.The Corporation has a 59.7% interest in an associate ("Greenpac"). Greenpac's Shareholders agreement requires a majority of 80% for all decision-making related to relevant activities. Consequently, the Corporation does not have the power over relevant activities of Greenpac and its participation is accounted for as an associate.

CONTROLS AND PROCEDURES

EVALUATION OF THE EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES, AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Corporation's President and Chief Executive Officer, and the Vice-President and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures (DC&P), and internal controls over financial reporting (ICFR) as defined in National Instrument 52-109, "Certification of Disclosure in Issuer's Annual and Interim Filings", in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

The DC&P have been designed to provide reasonable assurance that material information relating to the Corporation is made known to the President and Chief Executive Officer, and the Vice-President and Chief Financial Officer by others, and that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by the Corporation under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer, have concluded, based on their evaluation, that the Corporation's DC&P were effective as at December 31, 2014 for providing reasonable assurance that material information related to the issuer is made known to them by others within the Corporation.

The President and Chief Executive Officer, and the Vice-President and Chief Financial Officer have assessed the effectiveness of the ICFR as at December 31, 2014, based on the control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO Framework). Based on this assessment, they have concluded that the Corporation's ICFR were effective as at December 31, 2014 and expect to certify the Corporation's annual filings with the U.S. Securities and Exchange Commission on Form 40-F, as required by the United States Sarbanes-Oxley Act.

During the quarter ended December 31, 2014, there were no changes to the Corporation's ICFR that have materially affected, or are reasonably likely to materially affect, its ICFR.

RISK FACTORS

As part of its ongoing business operations, the Corporation is exposed to certain market risks, including risks ensuing from changes in selling prices for its principal products, costs of raw material, interest rates and foreign currency exchange rates, all of which impact the Corporation's financial position, operating results and cash flows. The Corporation manages its exposure to these and other market risks through regular operating and financing activities, and, on a limited basis, through the use of derivative financial instruments. We use these derivative financial instruments as risk management tools, not for speculative investment purposes. The following is a discussion of key areas of business risks and uncertainties that we have identified, and our mitigating strategies. The risk areas below are listed in no particular order, as risks are evaluated based on both severity and probability. Readers are cautioned that the following is not an exhaustive list of all the risks we are exposed to, nor will our mitigation strategies eliminate all risks listed.

a) The markets for some of the Corporation's products tend to be cyclical in nature and prices for some of its products, as well as raw material and energy costs, may fluctuate significantly, which can adversely affect its business, operating results, profitability and financial position.

The markets for some of the Corporation's products, particularly containerboard and boxboard, are highly cyclical. As a result, prices for these types of products and for its two principal raw material, recycled paper and virgin fibre, have fluctuated significantly in the past and will likely continue to fluctuate significantly in the future, principally due to market imbalances between supply and demand. Demand is heavily influenced by the strength of the global economy and the countries or regions in which Cascades does business, particularly Canada and the United States, the Corporation's two primary markets. Demand is also influenced by fluctuations in inventory levels held by customers and by consumer preferences. Supply depends primarily on industry capacity and capacity utilization rates. In periods of economic weakness, reduced spending by consumers and businesses results in decreased demand, which can potentially cause downward price pressure. Industry participants may also, at times, add new capacity or increase capacity utilization rates, potentially causing supply to exceed demand and exerting downward price pressure. Depending on market conditions and related demand, Cascades may have to take market-related downtime. In addition, the Corporation may not be able to maintain current prices or implement additional price increases in the future. If Cascades is unable to do so, its revenues, profitability and cash flows could be adversely affected. In addition, other participants may introduce new capacity or increase capacity utilization rates, which could also adversely affect the Corporation's business, operating results and financial position. Prices for recycled and virgin fibre also fluctuate considerably. The costs of these material present a potential risk to the Corporation's profit margins, in the event that it is unable to pass along price increases to its customers on a timely basis. Although changes in the price of recycled fibre generally correlate with changes in the price of products made from recycled paper, this may not always be the case. If Cascades wasn't able

to implement increases in the selling prices for its products to compensate for increases in the price of recycled or virgin fibre, the Corporation's profitability and cash flows would be adversely affected. In addition, Cascades uses energy, mainly natural gas and fuel oil, to generate steam, which it then uses in the production process and to operate machinery. Energy prices, particularly for natural gas and fuel oil, have continued to remain very volatile. Cascades continues to evaluate its energy costs and consider ways to factor energy costs into its pricing. However, should energy prices increase, the Corporation's production costs, competitive position and operating results would be adversely affected. A substantial increase in energy costs would adversely affect the Corporation's operating results and could have broader market implications that could further adversely affect the Corporation's business or financial results.

To mitigate price risk, our strategies include the use of various derivative financial instrument transactions, whereby it sets the price for notional quantities of old corrugated containers, electricity and natural gas.

Additional information on our North American electricity and natural gas hedging programs as at December 31, 2014 is set out below:

NORTH AMERICAN ELECTRICITY HEDGING

	UNITED STATES	CANADA
Electricity consumption	34%	66%
Electricity consumption in a regulated market	48%	72%
% of consumption hedged in a de-regulated market (2015)	22%	42%
Average prices (2015 - 2017) (in US$, per KWh)	$ 0.043	$ 0.275
Fair value as at December 31, 2014 (in millions of CAN$)	$ (0.6)	$ 0.2

NORTH AMERICAN NATURAL GAS HEDGING

	UNITED STATES	CANADA
Natural gas consumption	38%	62%
% of consumption hedged (2015)	48%	69%
Average prices (2015 - 2018) (in US$, per mmBTU) (in CAN$, per GJ)	$ 4.84	$ 4.32
Fair value as at December 31, 2014 (in millions of CAN$)	$ (6.7)	$ (11.7)

b) Cascades faces significant competition and some of its competitors may have greater cost advantages or be able to achieve greater economies of scale, or be able to better withstand periods of declining prices and adverse operating conditions, which could negatively affect the Corporation's market share and profitability.

The markets for the Corporation's products are highly competitive. In some of the markets in which Cascades competes, such as tissue papers, it competes with a small number of other producers. In some businesses, such as the containerboard industry, competition tends to be global. In others, such as the tissue industry, competition tends to be regional. In the Corporation's packaging products segment, it also faces competition from alternative packaging materials, such as vinyl, plastic and Styrofoam, which can lead to excess capacity, decreased demand and pricing pressures. Competition in the Corporation's markets is primarily based on price, as well as customer service and the quality, breadth and performance characteristics of its products. The Corporation's ability to compete successfully depends on a variety of factors, including:

- its ability to maintain high plant efficiencies, operating rates and lower manufacturing costs
- the availability, quality and cost of raw material, particularly recycled and virgin fibre, and labour, and
- the cost of energy.

Some of the Corporation's competitors may, at times, have lower fibre, energy and labour costs, and less restrictive environmental and governmental regulations to comply with than Cascades does. For example, fully integrated manufacturers, which are those whose requirements for pulp or other fibre are met fully from their internal sources, may have some competitive advantages over manufacturers that are not fully integrated, such as Cascades, in periods of relatively high raw material pricing, in that the former are able to ensure a steady source of these raw material at costs that may be lower than prices in the prevailing market. In contrast, competitors that are less integrated than Cascades may have cost advantages in periods of relatively low pulp or fibre prices because they may be able to purchase pulp or fibre at prices lower than the costs the Corporation incurs in the production process. Other competitors may be larger in size or scope than Cascades is, which may allow them to achieve greater economies of scale on a global basis or to better withstand periods of declining prices and adverse operating conditions. In addition, there has been an increasing trend among the Corporation's customers towards consolidation. With fewer customers in the market for the Corporation's products, the strength of its negotiating position with these customers could be weakened, which could have an adverse effect on its pricing, margins and profitability.

To mitigate competition risk, Cascades' targets are to offer quality products that meet customers' needs at competitive prices and to provide good customer service.

c) Because of the Corporation's international operations, it faces political, social and exchange rate risks that can negatively affect its business, operating results, profitability and financial condition.

Cascades has customers and operations located outside Canada. In 2014, sales outside Canada, in Canadian dollars, represented approximately 64% of the Corporation's consolidated sales, including 38% in the United States. In 2014, 29% of sales from Canadian operations were made to the United States.

The Corporation's international operations present it with a number of risks and challenges, including:

- the effective marketing of its products in other countries
- tariffs and other trade barriers, and
- different regulatory schemes and political environments applicable to the Corporation's operations, in areas such as environmental and health and safety compliance.

In addition, the Corporation's consolidated financial statements are reported in Canadian dollars, while a portion of its sales is made in other currencies, primarily the U.S. dollar and the Euro. The appreciation of the Canadian dollar against the U.S. dollar over the last few years has adversely affected the Corporation's reported operating results and financial condition. This had a direct impact on export prices and also contributed to reducing Canadian dollar prices in Canada, because several of the Corporation's product lines are priced in U.S. dollars. However, a substantial portion of the Corporation's debt is also denominated in currencies other than the Canadian dollar. The Corporation has senior notes outstanding and also some borrowings under its credit facility that are denominated in U.S. dollars and in Euros, in the amounts of US$853 million and €169 million respectively as at December 31, 2014.

Moreover, in some cases, the currency of the Corporation's sales does not match the currency in which it incurs costs, which can negatively affect the Corporation's profitability. Fluctuations in exchange rates can also affect the relative competitive position of a particular facility, where the facility faces competition from non-local producers, as well as the Corporation's ability to successfully market its products in export markets. As a result, if the Canadian dollar were to remain permanently strong compared to the U.S. dollar and the Euro, it could affect the profitability of the Corporation's facilities, which could lead Cascades to shut down facilities either temporarily or permanently, all of which could adversely affect its business or financial results. To mitigate the risk of currency rises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations, which are partially covered by purchases and debt, Management has implemented a policy for managing foreign exchange risk against the relevant functional currency.

The Corporation uses various foreign exchange forward contracts and related currency option instruments to anticipate sales net of purchases, interest expenses and debt repayment. Gains or losses from the derivative financial instruments designated as hedges are recorded under "Other comprehensive income (loss)" and are reclassified under earnings in accordance with the hedge items.

Additional information on our North American foreign exchange hedging program is set out below:

NORTH AMERICAN FOREIGN EXCHANGE HEDGING [1]

Sell contracts and currency options on net exposure to $US:	2015	2016
Total amount (in millions of US$)	$ 45	$ 45
Estimated % of sales, net of expenses from Canadian operations (excluding subsidiaries with non-controlling interest)	30%	30%
Average rate (US$/CAN$)	0.9010	0.8861
Fair value as at December 31, 2014 (in millions of CAN$)	$ (2)	$ (4)

1 See Note 26 of the audited consolidated financial statements for more details on derivatives.

d) The Corporation's operations are subject to comprehensive environmental regulations and involve expenditures that may be material in relation to its operating cash flow.

The Corporation is subject to environmental laws and regulations imposed by the various governments and regulatory authorities in all countries in which it operates. These environmental laws and regulations impose stringent standards on the Corporation regarding, among other things:

- air emissions
- water discharges
- use and handling of hazardous materials
- use, handling and disposal of waste, and
- remediation of environmental contamination.

The Corporation is also subject to the U.S. Federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") as well as to other applicable legislation in the United States, Canada and Europe that holds companies accountable for the investigation and remediation of hazardous substances. The Corporation's European subsidiaries are also subject to the Kyoto Protocol, aimed at reducing worldwide CO_2 emissions. Each unit has been allocated emission rights ("CO_2 quota"). On a calendar-year basis, the Corporation must buy the necessary credits to cover its deficit, on the open market, if its emissions are higher than quota.

The Corporation's failure to comply with applicable environmental laws, regulations or permit requirements may result in civil or criminal fines, penalties or enforcement actions. These may include regulatory or judicial orders enjoining or curtailing operations, or requiring corrective measures, the installation of pollution control equipment or remedial actions, any of which could entail significant expenditures. It is difficult to predict the future development of such laws and regulations, or their impact on future earnings and operations, but these laws and regulations may require capital expenditures to ensure compliance. In addition, amendments to, or more stringent implementation of, current laws and regulations governing the Corporation's operations could have a material adverse effect on its business, operating results or financial position. Furthermore, although Cascades generally tries to plan for capital expenditures relating to environmental and health and safety compliance on an annual basis, actual capital expenditures may exceed those estimates. In such an event, Cascades may be forced to curtail other capital expenditures or other activities. In addition, the enforcement of existing environmental laws and regulations has become increasingly strict. The Corporation may discover currently unknown environmental problems or conditions in relation to its past or present operations, or may face unforeseen environmental liabilities in the future. These conditions and liabilities may:

- require site remediation or other costs to maintain compliance or correct violations of environmental laws and regulations, or
- result in governmental or private claims for damage to person, property or the environment.

Either of these could have a material adverse effect on the Corporation's financial condition or operating results.

Cascades may be subject to strict liability and, under specific circumstances, joint and several (solidary) liability for the investigation and remediation of soil, surface and groundwater contamination, including contamination caused by other parties, on properties that it owns or operates, and on properties where the Corporation or its predecessors have arranged for the disposal of regulated materials. As a result, the Corporation is involved from time to time in administrative and judicial proceedings and inquiries relating to environmental matters. The Corporation may become involved in additional proceedings in the future, the total amount of future costs and other environmental liabilities of which could be material.

To date, the Corporation is in compliance, in all material respects, with all applicable environmental legislation or regulations. However, we expect to incur ongoing capital and operating expenses in order to achieve and maintain compliance with applicable environmental requirements.

EMISSIONS MARKET

The Corporation is exposed to the emissions trading market and has to hold carbon credits equivalent to its emissions. Depending on circumstances, the Corporation may have to buy credits on the market or could sell some in the future. These transactions would have no significant effect on the financial position of the Corporation and it is not anticipated that it will change in the future.

e) Cascades may be subject to losses that might not be covered in whole or in part by its insurance coverage.

Cascades carries comprehensive liability, fire and extended coverage insurance on most of its facilities, with policy specifications and insured limits customarily carried in its industry for similar properties. The cost of the Corporation's insurance policies has increased over the past few years. In addition, some types of losses, such as losses resulting from wars, acts of terrorism or natural disasters, are generally not insured because they are either uninsurable or not economically practical. Moreover, insurers have recently become more reluctant to insure against these types of events. Should an uninsured loss or a loss in excess of insured limits occur, Cascades could lose capital invested in that property, as well as the anticipated future revenues derived from the manufacturing activities conducted on that property, while remaining obligated for any mortgage indebtedness or other financial obligations related to the property. Any such loss could adversely affect its business, operating results or financial condition.

To mitigate the risk subject to insurance coverage, the Corporation reviews its strategy annually with the Board of Directors and is seeking different alternatives to achieve more efficient forms of insurance coverage, at the lowest costs possible.

f) Labour disputes could have a material adverse effect on the Corporation's cost structure and ability to run its mills and plants.

As at December 31, 2014, the Corporation had approximately 10,700 employees, of whom approximately 9,000 were employees of its Canadian and United States operations. Approximately 33% of the Corporation's employees are unionized under 26 separate collective bargaining agreements. In addition, in Europe, some of the Corporation's operations are subject to national industry collective bargaining agreements that are renewed on an annual basis. The Corporation's inability to negotiate acceptable contracts with these unions upon expiration of an existing contract could result in strikes or work stoppages by the affected workers, and increased operating costs as a result of higher wages or benefits paid to union members. If the unionized workers were to engage in a strike or another form of work stoppage, Cascades could experience a significant disruption in operations or higher labour costs, which could have a material adverse effect on its business, financial condition, operating results and cash flow. Of the Corporation's 26 collective bargaining agreements in North America, 11 will expire in 2015 and 4 more in 2016.

The Corporation generally begins the negotiation process several months before agreements are due to expire and is currently in the process of negotiating with the unions where the agreements have expired or will soon expire. However, Cascades may not be successful in negotiating new agreements on satisfactory terms, if at all.

g) Cascades may make investments in entities that it does not control and may not receive dividends or returns from those investments in a timely fashion or at all.

Cascades has established joint ventures, made investment in associates and acquired significant participations in subsidiaries in order to increase its vertical integration, enhance customer service and increase efficiencies in its marketing and distribution in the United States and other markets. The Corporation's principal joint ventures, associates and significant participations in subsidiaries are:

- three 50%-owned joint ventures with Sonoco Products Corporation, of which two are in Canada and one in the United States, that produce specialty paper packaging products such as headers, rolls and wrappers
- a 73%-owned subsidiary, Cascades Recovery Inc., a Canadian operator of wastepaper recovery and recycling operations
- a 34.23% interest in Boralex Inc., a Canadian public corporation and a major electricity producer whose core business is the development and operation of power stations that generate renewable energy, with operations in Canada, the northeastern United States and France. In January 2015, Boralex issued common shares to finance its acquisition of Enel Green Power France in December 2014. Taking into consideration this issuance, Cascades' interest in Boralex now stands at 27.4%.
- a 57.61%-owned subsidiary, RdM, a European manufacturer of recycled boxboard, and
- a 59.7% interest in Greenpac Mill LLC, an American corporation that manufactures a light-weight linerboard made with 100% recycled fibres.

Apart from Cascades Recovery and RdM, Cascades does not have effective control over these entities. The Corporation's inability to control entities in which it invests may affect its ability to receive distributions from those entities or to fully implement its business plan. The incurrence of debt or entrance into other agreements by an entity not under the Corporation's control may result in restrictions or prohibitions on that entity's ability to pay distributions to the Corporation. Even where these entities are not restricted by contract or by law from paying dividends or making distributions to Cascades, the Corporation may not be able to influence the payout or timing of these dividends or distributions. In addition, if any of the other investors in a non-controlled entity fails to observe its commitments, the entity may not be able to operate according to its business plan or Cascades may be required to increase its level of commitment. If any of these events were to transpire, the Corporation's business, operating results, financial condition and ability to make payments on the notes could be adversely affected.

In addition, the Corporation has entered into various shareholder agreements relating to its joint ventures and equity investments. Some of these agreements contain "shotgun" provisions, which provide that if one Shareholder offers to buy all the shares owned by the other parties to the agreement, the other parties must either accept the offer or purchase all the shares owned by the offering Shareholder at the same price and conditions. Some of the agreements also stipulate that, in the event that a Shareholder is subject to bankruptcy proceedings or otherwise defaults on any indebtedness, the non-defaulting parties to that agreement are entitled to invoke the "shotgun" provision or sell their shares to a third party. The Corporation's ability to purchase the other Shareholders' interests in these joint ventures if they were to exercise these "shotgun" provisions could be limited by the covenants in the Corporation's credit facility and the indenture. In addition, Cascades may not have sufficient funds to accept the offer or the ability to raise adequate financing should the need arise, which could result in the Corporation having to sell its interests in these entities or otherwise alter its business plan.

h) Acquisitions have been, and are expected to continue to be, a substantial part of the Corporation's growth strategy, which could expose the Corporation to difficulties in integrating the acquired operation, diversion of management time and resources, and unforeseen liabilities, among other business risks.

Acquisitions have been a significant part of the Corporation's growth strategy. Cascades expects to continue to selectively seek strategic acquisitions in the future. The Corporation's ability to consummate and to effectively integrate any future acquisitions on terms that are favourable to it may be limited by the number of attractive acquisition targets, internal demands on its resources and, to the extent necessary, its ability to obtain financing on satisfactory terms, if at all. Acquisitions may expose the Corporation to additional risks, including:

- difficulty in integrating and managing newly acquired operations, and in improving their operating efficiency
- difficulty in maintaining uniform standards, controls, procedures and policies across all of the Corporation's businesses
- entry into markets in which Cascades has little or no direct prior experience
- the Corporation's ability to retain key employees of the acquired corporation
- disruptions to the Corporation's ongoing business, and
- diversion of management time and resources.

In addition, future acquisitions could result in Cascades' incurring additional debt to finance the acquisition or possibly assuming additional debt as part of it, as well as costs, contingent liabilities and amortization expenses. The Corporation may also incur costs and divert Management's attention for potential acquisitions that are never consummated. For acquisitions Cascades does consummate, expected synergies may not materialize. The Corporation's failure to effectively address any of these issues could adversely affect its operating results, financial condition and ability to service debt, including its outstanding senior notes.

Although Cascades generally performs a due diligence investigation of the businesses or assets that it acquires, and anticipates continuing to do so for future acquisitions, the acquired business or assets may have liabilities that Cascades fails or is unable to uncover during its due diligence investigation and for which the Corporation, as a successor owner, may be responsible. When feasible, the Corporation seeks to minimize the impact of these types of potential liabilities by obtaining indemnities and warranties from the seller, which may in some instances be supported by deferring payment of a portion of the purchase price. However, these indemnities and warranties, if obtained, may not fully cover the liabilities because of their limited scope, amount or duration, or the financial resources of the indemnitor or warrantor, or for other reasons.

i) The Corporation undertakes impairment tests, which could result in a write-down of the value of assets and, as a result, have a material adverse effect.

IFRS requires that Cascades regularly undertake impairment tests of long-lived assets and goodwill to determine whether a write-down of such assets is required. A write-down of asset value as a result of impairment tests would result in a non-cash charge that reduces the Corporation's reported earnings. Furthermore, a reduction in the Corporation's asset value could have a material adverse effect on the Corporation's compliance with total debt-to-capitalization tests under its current credit facilities and, as a result, limit its ability to access further debt capital.

j) Certain Cascades insiders collectively own a substantial percentage of the Corporation's common shares.

Messrs. Bernard, Laurent and Alain Lemaire ("the Lemaires") collectively own 32.5% of the common shares as at December 31, 2014, and there may be situations in which their interests and the interests of other holders of common shares will not be aligned. Because the Corporation's remaining common shares are widely held, the Lemaires may be effectively able to:

- elect all of the Corporation's directors and, as a result, control matters requiring Board approval
- control matters submitted to a Shareholder vote, including mergers, acquisitions and consolidations with third parties, and the sale of all or substantially all of the Corporation's assets, and
- otherwise control or influence the Corporation's business direction and policies.

In addition, the Lemaires may have an interest in pursuing acquisitions, divestitures or other transactions that, in their judgment, could enhance the value of their equity investment, even though the transactions might involve increased risk to the holders of the common shares.

k) If Cascades is not successful in retaining or replacing its key personnel, particularly if the Lemaires do not stay active in the Corporation's business, its business, financial condition or operating results could be adversely affected.

Although Cascades believes that the Lemaires will remain active in the business and that Cascades will continue to be able to attract and retain other talented personnel, and replace key personnel should the need arise, competition in recruiting replacement personnel could be significant. On May 9, 2013, Mr. Mario Plourde was appointed as the new President and Chief Executive Officer ("CEO") of the Corporation, following a two-year transition as Chief Operating Officer. Cascades does not carry key-man insurance on the Lemaires or on any other members of its senior management.

l) Risks relating to the Corporation's indebtedness and liquidity.

The significant amount of the Corporation's debt could adversely affect its financial health and prevent it from fulfilling its obligations under its outstanding indebtedness. The Corporation has a significant amount of debt. As of December 31, 2014, it had $1,642 million in outstanding total debt on a consolidated basis, including capital-lease obligations. The Corporation also had $410 million available under its revolving credit facility. On the same basis, its consolidated ratio of net debt to total equity as of December 31, 2014 was 61.7%. The Corporation's actual financing expense, including interest on employees' future benefits, was $107 million, excluding the loss on refinancing of long-term debt, for 2014. Cascades also has significant obligations under operating leases, as described in its audited consolidated financial statements that are incorporated by reference herein.

In 2014, we refinanced our 7.75% unsecured senior notes of US$500 million and $200 million, due in 2017 and in 2016, respectively. The Corporation issued 5.50% unsecured senior notes of US$550 million, due in 2022, and 5.50% unsecured senior notes of $250 million, due in 2021. We allocated the proceeds of these new notes to repurchase the US$500 million notes due in 2017 and the $200 million notes due in 2016. The remaining amounts (US$50 million and $50 million) were used to pay a premium totaling $31 million and refinancing costs of $13 million and to reduce our credit facility utilization. The refinancing of these notes will reduce our future interest expense by approximately US$8 million and $6 million annually.

The Corporation has outstanding senior notes rated by Moody's Investor Service ("Moody's") and Standard & Poor's ("S&P").

During the fourth quarter of 2014, Standard & Poor's, a rating service agency, upgraded the unsecured debt rating to "B+" of the Corporation from "B" following the review of its recovery analysis methodology calculation. During the second quarter of 2013, Standard & Poor's downgraded the long-term corporate credit rating of the Corporation to "B+" from "BB-" on slower de-leveraging, with a stable outlook. This has caused an increase of 37.5 basis points in the interest rate on our revolving credit facility in the second half of 2013 and for future periods.

The following table reflects the Corporation's secured debt rating/corporate rating/unsecured debt rating as at the date on which this MD&A was approved by the Board of Directors, and the evolution of these ratings compared to past years:

Credit rating (outlook)	MOODY'S	STANDARD & POOR'S
2004	Ba1/Ba2/Ba3 (stable)	BBB-/BB+/BB+ (negative)
2005 - 2006	Ba1/Ba2/Ba3 (stable)	BB+/BB/BB- (negative)
2007	Baa3/Ba2/Ba3 (stable)	BBB-/BB/BB- (stable)
2008	Baa3/Ba2/Ba3 (negative)	BB+/BB-/B+ (negative)
2009 - 2010	Baa3/Ba2/Ba3 (stable)	BB+/BB-/B+ (stable)
2011	Baa3/Ba2/Ba3 (stable)	BB+/BB-/B+ (positive)
2012	Baa3/Ba2/Ba3 (stable)	BB+/BB-/B+ (negative)
2013	Baa3/Ba2/Ba3 (stable)	BB/B+/B (stable)
2014	Baa3/Ba2/Ba3 (stable)	BB/B+/B+ (stable)

This facility is in place with a core group of highly rated international banks. The Corporation may decide to enter into certain derivative instruments to reduce interest rates and foreign exchange exposure.

The Corporation's leverage could have major consequences for holders of its common shares. For example, it could:

- make it more difficult for the Corporation to satisfy its obligations with respect to its indebtedness
- increase the Corporation's vulnerability to competitive pressures and to general adverse economic or market conditions, and require it to dedicate a substantial portion of its cash flow from operations to servicing debt, reducing the availability of its cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes
- limit its flexibility in planning for, or reacting to, changes in its business and industry, and
- limit its ability to obtain additional sources of financing.

Cascades may incur additional debt in the future, which would intensify the risks it now faces as a result of its leverage as described above. Even though we are substantially leveraged, we and our subsidiaries will be able to incur substantial additional indebtedness in the future. Although our credit facility and the indentures governing the notes restrict us and our restricted subsidiaries from incurring additional debt, these restrictions are subject to important exceptions and qualifications. If we or our subsidiaries incur additional debt, the risks that we and they now face as a result of our leverage could intensify.

The Corporation's operations are substantially restricted by the terms of its debt, which could limit its ability to plan for or react to market conditions, or to meet its capital needs. The Corporation's credit facilities and the indenture governing its senior notes include a number of significant restrictive covenants. These covenants restrict, among other things, the Corporation's ability to:

- borrow money
- pay dividends on stock or redeem stock or subordinated debt
- make investments
- sell assets, including capital stock in subsidiaries
- guarantee other indebtedness
- enter into agreements that restrict dividends or other distributions from restricted subsidiaries
- enter into transactions with affiliates
- create or assume liens
- enter into sale and leaseback transactions
- engage in mergers or consolidations, and
- enter into a sale of all or substantially all of our assets.

These covenants could limit the Corporation's ability to plan for or react to market conditions, or to meet its capital needs. The Corporation's current credit facility contains other, more restrictive covenants, including financial covenants that require it to achieve certain financial and operating results, and maintain compliance with specified financial ratios. The Corporation's ability to comply with these covenants and requirements may be affected by events beyond its control, and it may have to curtail some of its operations and growth plans to maintain compliance.

The restrictive covenants contained in the Corporation's senior note indenture, along with the Corporation's credit facility, do not apply to its subsidiaries with non-controlling interest.

The Corporation's failure to comply with the covenants contained in its credit facility or its senior note indenture, including as a result of events beyond its control or due to other factors, could result in an event of default that could cause accelerated repayment of the debt. If Cascades is not able to comply with the covenants and other requirements contained in the indenture, its credit facility or its other debt instruments, an event of default under the relevant debt instrument could occur. If an event of default does occur, it could trigger a default under its other debt instruments, Cascades could be prohibited from accessing additional borrowings and the holders of the defaulted debt could declare amounts outstanding with respect to that debt, which would then be immediately due and payable. The Corporation's assets and cash flow may not be sufficient to fully repay borrowings under its outstanding debt instruments. In addition, the Corporation may not be able to re-finance or re-structure the payments on the applicable debt. Even if the Corporation were able to secure additional financing, it may not be available on favourable terms. A significant or prolonged downtime in general business and difficult economic conditions may affect the Corporation's ability to comply with its covenants, and could require it to take actions to reduce its debt or to act in a manner contrary to its current business objectives.

m) Cascades is a holding corporation and depends on its subsidiaries to generate sufficient cash flow to meet its debt service obligations.

Cascades is structured as a holding corporation, and its only significant assets are the capital stock or other equity interests in its subsidiaries, joint ventures and minority investments. As a holding corporation, Cascades conducts substantially all of its business through these entities. Consequently, the Corporation's cash flow and ability to service its debt obligations are dependent on the earnings of its subsidiaries, joint ventures and minority investments, and the distribution of those earnings to Cascades, or on loans, advances or other payments made by these entities to Cascades. The ability of these entities to pay dividends or make other payments or advances to Cascades will depend on their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt. In the case of the Corporation's joint ventures and minority investments, Cascades may not exercise sufficient control to cause distributions to itself. Although its credit facility and the indenture, respectively, limit the ability of its restricted subsidiaries to enter into consensual restrictions on their ability to pay dividends and make other payments to the Corporation, these limitations do not apply to its joint ventures or minority investments. The limitations are also subject to important exceptions and qualifications. The ability of the Corporation's subsidiaries to generate cash flow from operations that is sufficient to allow the Corporation to make scheduled payments on its debt obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors, many of which are outside of the Corporation's control. If the Corporation's subsidiaries do not generate sufficient cash flow from operations to satisfy the Corporation's debt obligations, Cascades may have to undertake alternative financing plans, such as re-financing or re-structuring its debt, selling assets, reducing or delaying capital investments, or seeking to raise additional capital. Re-financing may not be possible, and any assets may not be able to be sold, or, if they are sold, Cascades may not realize sufficient amounts from those sales. Additional financing may not be available on acceptable terms, if at all, or the Corporation may be prohibited from incurring it, if available, under the terms of its various debt instruments in effect at the time. The Corporation's inability to generate sufficient cash flow to satisfy its debt obligations, or to re-finance its obligations on commercially reasonable terms, would have an adverse effect on its business, financial condition and operating results. The earnings of the Corporation's operating subsidiaries and the amount that they are able to distribute to the Corporation as dividends or otherwise may not be adequate for the Corporation to service its debt obligations.

n) Risks related to the common shares.

The market price of the common shares may fluctuate, and purchasers may not be able to re-sell the common shares at or above the purchase price. The market price of the common shares may fluctuate due to a variety of factors relative to the Corporation's business, including announcements of new developments, fluctuations in the Corporation's operating results, sales of the common shares in the marketplace, failure to meet analysts' expectations, general conditions in all of our segments or the worldwide economy. In recent years, the common shares, the stock of other companies operating in the same sectors and the stock market in general have experienced significant price fluctuations, which have been unrelated to the operating performance of the affected companies. There can be no assurance that the market price of the common shares will not continue to experience significant fluctuations in the future, including fluctuations that are unrelated to the Corporation's performance.

o) Cash-flow and fair-value interest rate risks.

As the Corporation has no significant interest-bearing assets, its earnings and operating cash flows are substantially independent of changes in market interest rates.

The Corporation's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Corporation to a cash-flow interest rate risk. Borrowings issued at a fixed rate expose the Corporation to a fair-value interest rate risk.

p) Credit risk.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. The Corporation reduces this risk by dealing with creditworthy financial institutions.

The Corporation is exposed to credit risk on accounts receivable from its customers. In order to reduce this risk, the Corporation's credit policies include the analysis of a customer's financial position and a regular review of its credit limits. The Corporation also believes that no particular concentration of credit risks exists due to the geographic diversity of its customers and the procedures in place for managing commercial risks. Derivative financial instruments include an element of credit risk, should the counterparty be unable to meet its obligations.

q) Enterprise Resource Planning (ERP) implementation.

The Corporation decided to modernize its financial information system with the implementation of an integrated Enterprise Resource Planning (ERP) system. The Corporation identified the risks associated with said project and adopted a step-by-step plan to address any risks related to the implementation process. The Corporation dedicated a project team, required corporate oversight with the appropriate skills and knowledge, and retained the services of consultants to provide expertise and training. Supported by senior management and key personnel, the Corporation undertook a detailed analysis of its requirements during 2010 and, in November of 2010, successfully completed a pilot project in one of its plants. The project team then finalized a detailed blueprint for its manufacturing and some of its converting operations, and started implementing the solution in its business units in 2012. The implementation is still ongoing as the Corporation is reviewing its internal processes at the same time, to maximize the realization of benefits and reduce risks.

MANAGEMENT'S REPORT
TO THE SHAREHOLDERS OF CASCADES INC.

March 12, 2015

The accompanying consolidated financial statements are the responsibility of the management of Cascades Inc., and have been reviewed by the Audit and Finance Committee, and approved by the Board of Directors.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and include certain estimates that reflect Management's best judgment.

The Management of the Corporation is also responsible for all other information included in this Annual Report and for ensuring that this information is consistent with the Corporation's consolidated financial statements and business activities.

The Management of the Corporation is responsible for the design, establishment and maintenance of appropriate internal controls and procedures for financial reporting, to ensure that financial statements for external purposes are fairly presented in conformity with IFRS. Such internal control systems are designed to provide reasonable assurance on the reliability of the financial information and the safeguarding of assets.

External and internal auditors have free and independent access to the Audit and Finance Committee, which comprises outside independent directors. The Audit and Finance Committee, which meets regularly throughout the year with members of management and the external and internal auditors, reviews the consolidated financial statements and recommends their approval to the Board of Directors.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, whose report is provided below.

Mario Plourde
President and Chief Executive Officer - Kingsey Falls, Canada

Allan Hogg
Vice-President and Chief Financial Officer - Kingsey Falls, Canada

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CASCADES INC.

March 12, 2015

We have audited the accompanying consolidated financial statements of Cascades Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of earnings (loss), comprehensive income (loss), equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cascades Inc. and its subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Montréal, Canada

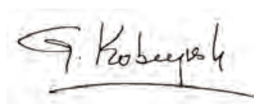
[1] *FCPA auditor, FCA, public accountancy permit No. A108517*

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)	NOTE	DECEMBER 31, 2014	DECEMBER 31, 2013
Assets			
Current assets			
Cash and cash equivalents		29	23
Accounts receivable	6 and 14	453	512
Current income tax assets		13	34
Inventories	7 and 14	462	543
Financial assets	26	1	2
Assets of disposal group classified as held for sale	5	72	—
		1,030	1,114
Long-term assets			
Investments in associates and joint ventures	8	259	261
Property, plant and equipment	9 and 14	1,573	1,684
Intangible assets with finite useful life	10	183	196
Financial assets	26	25	17
Other assets	11	83	108
Deferred income tax assets	17	185	118
Goodwill and other intangible assets with indefinite useful life	10	335	333
		3,673	3,831
Liabilities and Equity			
Current liabilities			
Bank loans and advances		46	56
Trade and other payables	12	557	590
Current income tax liabilities		5	2
Current portion of long-term debt	14	40	39
Current portion of provisions for contingencies and charges	13	11	2
Current portion of financial liabilities and other liabilities	15 and 26	16	11
Liabilities of disposal group classified as held for sale	5	32	—
		707	700
Long-term liabilities			
Long-term debt	14	1,556	1,540
Provisions for contingencies and charges	13	33	37
Financial liabilities	26	45	39
Other liabilities	15	191	212
Deferred income tax liabilities	17	138	109
		2,670	2,637
Equity attributable to Shareholders			
Capital stock	18	483	482
Contributed surplus	19	18	17
Retained earnings		454	642
Accumulated other comprehensive loss	20	(62)	(60)
		893	1,081
Non-controlling interest		110	113
Total equity		1,003	1,194
		3,673	3,831

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors



Alain Lemaire
DIRECTOR

Georges Kobrynsky
DIRECTOR

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(For the years ended December 31 (in millions of Canadian dollars, except per-share amounts and number of shares)	NOTE	2014	2013
Sales		3,561	3,370
Cost of sales and expenses			
Cost of sales (including depreciation and amortization of $174 million; 2013 — $167 million)	21	3,063	2,863
Selling and administrative expenses	21	334	335
Loss on acquisitions, disposals and others	23	—	3
Impairment charges and restructuring costs	24	23	2
Foreign exchange gain		(2)	(4)
Loss (gain) on derivative financial instruments	26	6	(5)
		3,424	3,194
Operating income		137	176
Financing expense	25	101	104
Interest expense on employee future benefits	25	6	8
Loss on refinancing of long-term debt	14	44	—
Foreign exchange loss (gain) on long-term debt and financial instruments		30	(2)
Share of results of associates and joint ventures		—	3
Profit (loss) before income taxes		(44)	63
Provision for income taxes	17	16	19
Net earnings (loss) from continuing operations including non-controlling interest for the year		(60)	44
Net loss from discontinued operations for the year	5	(83)	(30)
Net earnings (loss) including non-controlling interest for the year		(143)	14
Net earnings attributable to non-controlling interest		4	3
Net earnings (loss) attributable to Shareholders for the year		(147)	11
Net earnings (loss) from continuing operations per basic and diluted common share		$ (0.68)	$ 0.44
Net earnings (loss) per basic and diluted common share		$ (1.57)	$ 0.11
Weighted average basic number of common shares outstanding		94,025,600	93,885,402
Weighted average number of diluted common shares		95,355,998	94,694,761
Net earnings (loss) attributable to Shareholders:			
Continuing operations		(64)	41
Discontinued operations	5	(83)	(30)
Net earnings (loss)		(147)	11

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31 (in millions of Canadian dollars)	NOTE	2014	2013
Net earnings (loss) including non-controlling interest for the year		(143)	14
Other comprehensive income (loss)			
Items that may be reclassified subsequently to earnings			
Translation adjustments	20		
Change in foreign currency translation of foreign subsidiaries		37	52
Change in foreign currency translation related to net investment hedging activities		(44)	(30)
Income taxes		6	4
Cash flow hedges	20		
Change in fair value of foreign exchange forward contracts		3	(7)
Change in fair value of interest rate swaps		(13)	13
Change in fair value of commodity derivative financial instruments		(1)	9
Income taxes		5	(6)
		(7)	35
Items that are reclassified to retained earnings			
Actuarial gain (loss) on post-employment benefit obligations	16	(39)	97
Income taxes	17	11	(26)
		(28)	71
Other comprehensive income (loss)		(35)	106
Comprehensive income (loss) including non-controlling interest for the year		(178)	120
Comprehensive income (loss) attributable to non-controlling interest for the year		(3)	12
Comprehensive income (loss) attributable to Shareholders for the year		(175)	108
Comprehensive income (loss) attributable to Shareholders:			
Continuing operations		(84)	110
Discontinued operations		(91)	(2)
Comprehensive income (loss)		(175)	108

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF EQUITY

For the year ended December 31, 2014

(in millions of Canadian dollars)	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON-CONTROLLING INTEREST	TOTAL EQUITY
Balance - Beginning of year	482	17	642	(60)	1,081	113	1,194
Comprehensive income (loss)							
Net earnings (loss)	—	—	(147)	—	(147)	4	(143)
Other comprehensive income (loss)	—	—	(26)	(2)	(28)	(7)	(35)
	—	—	(173)	(2)	(175)	(3)	(178)
Dividends	—	—	(15)	—	(15)	—	(15)
Stock options	—	1	—	—	1	—	1
Issuance of common shares	1	—	—	—	1	—	1
Balance - End of year	483	18	454	(62)	893	110	1,003

For the year ended December 31, 2013

(in millions of Canadian dollars)	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON-CONTROLLING INTEREST	TOTAL EQUITY
Balance - Beginning of year	482	16	567	(87)	978	116	1,094
Comprehensive income							
Net earnings	—	—	11	—	11	3	14
Other comprehensive income	—	—	70	27	97	9	106
	—	—	81	27	108	12	120
Dividends	—	—	(15)	—	(15)	—	(15)
Stock options	—	1	—	—	1	—	1
Acquisition of non-controlling interest	—	—	9	—	9	(15)	(6)
Balance - End of year	482	17	642	(60)	1,081	113	1,194

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 (in millions of Canadian dollars)	NOTE	2014	2013
Operating activities from continuing operations			
Net earnings (loss) attributable to Shareholders for the year		(147)	11
Net loss from discontinued operations for the year		83	30
Net earnings (loss) from continuing operations		(64)	41
Adjustments for:			
Financing expense and interest expense on employee future benefits	25	107	112
Loss on refinancing of long-term debt		44	—
Depreciation and amortization		174	167
Loss on acquisitions, disposals and others	23	—	3
Impairment charges and restructuring costs	24	21	—
Unrealized loss (gain) on derivative financial instruments		6	(6)
Foreign exchange loss (gain) on long-term debt and financial instruments		30	(2)
Provision for income taxes	17	16	19
Share of results of associates and joint ventures		—	3
Net earnings attributable to non-controlling interest		4	3
Net financing expense paid		(73)	(100)
Premium paid on long-term debt refinancing		(31)	—
Net income taxes received		14	5
Dividend received	8	15	12
Employee future benefits and others		(19)	(26)
		244	231
Changes in non-cash working capital components	25	(13)	5
		231	236
Investing activities from continuing operations			
Investments in associates and joint ventures		—	(32)
Payments for property, plant and equipment		(178)	(138)
Proceeds on disposals of property, plant and equipment		7	12
Investments in intangible and other assets		(2)	(15)
		(173)	(173)
Financing activities from continuing operations			
Bank loans and advances		(3)	(31)
Change in revolving credit facilities		(154)	76
Issuance of senior notes, net of related expenses	14	833	—
Repayment of senior notes	14	(740)	(10)
Increase in other long-term debt		23	14
Payments of other long-term debt		(50)	(50)
Settlement of derivative financial instruments		—	(14)
Issuance of common shares	18	1	—
Acquisition of non-controlling interest		—	(19)
Dividends paid to the Corporation's Shareholders	18	(15)	(15)
		(105)	(49)
Change in cash and cash equivalents during the year from continuing operations		(47)	14
Change in cash and cash equivalents during the year from discontinued operations	5	54	(12)
Net change in cash and cash equivalents during the year		7	2
Currency translation on cash and cash equivalents		(1)	1
Cash and cash equivalents - Beginning of year		23	20
Cash and cash equivalents - End of year		29	23

The accompanying notes are an integral part of these consolidated financial statements.

SEGMENTED INFORMATION

The Corporation analyzes the performance of its operating segments based on their operating income before depreciation and amortization, which is not a measure of performance under International Financial Reporting Standards ("IFRS"); however, the chief operating decision-maker ("CODM") uses this performance measure to assess the operating performance of each reportable segment. Earnings for each segment are prepared on the same basis as those of the Corporation. Intersegment operations are recorded on the same basis as are sales to third parties, which are at fair market value. The accounting policies of the reportable segments are the same as the Corporation's accounting policies described in Note 2.

The Corporation's operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The Chief Executive Officer has authority for resource allocation and management of the Corporation's performance, and is therefore the CODM.

The Corporation's operations are managed in four segments: Containerboard, Boxboard Europe, Specialty Products (which constitutes the Corporation's Packaging Products) and Tissue Papers.

		SALES	
For the years ended December 31 (in millions of Canadian dollars)	NOTE	2014	2013
Packaging Products			
Containerboard		1,407	1,314
Boxboard Europe		873	837
Specialty Products		716	774
Discontinued operations of Containerboard	5	(226)	(219)
Discontinued operations of Boxboard Europe	5	(32)	(51)
Discontinued operations of Specialty Products	5	(148)	(226)
Intersegment sales		(49)	(50)
		2,541	2,379
Tissue Papers		1,054	1,033
Intersegment sales and others		(34)	(42)
Total		3,561	3,370

		OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION (OIBD)	
For the years ended December 31 (in millions of Canadian dollars)	NOTE	2014	2013
Packaging Products			
Containerboard		108	156
Boxboard Europe		50	30
Specialty Products		(4)	32
Discontinued operations of Containerboard	5	56	1
Discontinued operations of Boxboard Europe	5	14	17
Discontinued operations of Specialty Products	5	30	3
		254	239
Tissue Papers		95	150
Corporate		(38)	(46)
Operating income before depreciation and amortization		311	343
Depreciation and amortization		(174)	(167)
Financing expense and interest expense on employee future benefits		(107)	(112)
Loss on refinancing of long-term debt		(44)	—
Foreign exchange gain (loss) on long-term debt and financial instruments		(30)	2
Share of results of associates and joint ventures		—	(3)
Profit (loss) before income taxes		(44)	63

For the years ended December 31 (in millions of Canadian dollars)	NOTE	PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT 2014	2013
Packaging Products			
Containerboard		34	44
Boxboard Europe		33	29
Specialty Products		19	22
Discontinued operations of Containerboard	5	(2)	(4)
Discontinued operations of Specialty Products	5	(1)	(6)
		83	85
Tissue Papers		88	47
Corporate		8	15
Total acquisitions		179	147
Proceeds on disposals of property, plant and equipment		(7)	(12)
Capital-lease acquisitions and acquisitions included in other debts		(14)	(4)
		158	131
Acquisitions of property, plant and equipment included in "Trade and other payables"			
Beginning of year		33	28
End of year		(20)	(33)
Payments for property, plant and equipment net of proceeds on disposals		171	126

(in millions of Canadian dollars)	TOTAL ASSETS DECEMBER 31, 2014	DECEMBER 31, 2013
Packaging Products		
Containerboard	1,250	1,312
Boxboard Europe	637	712
Specialty Products	355	469
	2,242	2,493
Tissue Papers	834	755
Corporate	414	358
Intersegment eliminations	(83)	(46)
	3,407	3,560
Investments in associates and joint ventures	259	261
Other investments	7	10
Total assets	3,673	3,831

Information by geographic segment is as follows:

For the years ended December 31 (in millions of Canadian dollars)	2014	2013
Sales		
Operations located in Canada		
Within Canada	1,249	1,201
To the United States	509	488
Offshore	24	26
	1,782	1,715
Operations located in the United States		
Within the United States	839	779
To Canada	50	49
Offshore	1	2
	890	830
Operations located in Italy		
Within Italy	240	233
Other countries	146	137
	386	370
Operations located in other countries		
Within Europe	378	349
Other countries	125	106
	503	455
Total	3,561	3,370

(in millions of Canadian dollars)	DECEMBER 31, 2014	DECEMBER 31, 2013
Property, plant and equipment		
Canada	845	1,015
United States	387	304
Italy	282	306
Other countries	59	59
Total	1,573	1,684

(in millions of Canadian dollars)	DECEMBER 31, 2014	DECEMBER 31, 2013
Goodwill, customer relationships and client lists, and other finite and indefinite useful life intangible assets		
Canada	457	471
United States	54	50
Italy	7	8
Total	518	529

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For each of the years in the two-year period ended December 31, 2014
(Tabular amounts in millions of Canadian dollars, except per-share and option amounts and number of shares and options)

NOTE 1
GENERAL INFORMATION

Cascades Inc. and its subsidiaries (together "Cascades" or the "Corporation") produce, convert and market packaging and tissue products composed mainly of recycled fibres. Cascades Inc. is incorporated and domiciled in Québec, Canada. The address of its registered office is 404 Marie-Victorin Boulevard, Kingsey Falls. Its shares are listed on the Toronto Stock Exchange.

The Board of Directors approved the consolidated financial statements on March 12, 2015.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CHANGE IN CLASSIFICATION OF SHIPPING EXPENSES

In 2014, the Corporation classifies shipping expenses of $33 million as Cost of sales. As a result of this classification, the Corporation has reclassified shipping expenses that were previously classified within Selling and administrative expenses under Cost of sales for the comparative period, resulting in a reclassification adjustment of $36 million as at December 31, 2013.

BASIS OF PRESENTATION

The Corporation prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set forth in Part 1 of the Chartered Professional Accountants of Canada (CPA Canada) Handbook – Accounting which incorporates International Financial Accounting Standards ("IFRS") as issued by the International Accounting Standards Board. The key accounting policies applied in the preparation of these consolidated financial statements are described below. These policies have been consistently applied to all years presented, unless otherwise stated.

BASIS OF MEASUREMENT

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and liabilities, including derivative instruments which are measured at fair value.

BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of the Corporation, which include:

A. SUBSIDIARIES

Subsidiaries are all entities over which the Corporation has power over decisions about relevant activities. The Corporation does not have any interest in a structured entity. The existence and effect of potential voting rights that are exercisable or convertible are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Corporation. They are deconsolidated from the date on which control ceases. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Corporation. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Corporation. Results of operations are consolidated commencing on the date of acquisition. The purchase consideration is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The transaction costs directly attributable to the acquisition are expensed. Identifiable assets acquired, as well as liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the purchase consideration over the fair value of the Corporation's share of the identifiable net assets acquired is recorded as goodwill. If the purchase consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of earnings. Intercompany transactions, balances and unrealized gains on transactions between subsidiaries are eliminated.

The following are the principal subsidiaries of the Corporation:

	PERCENTAGE OWNED (%)	JURISDICTION
Cascades Canada ULC	100	Canada
Cascades Recovery Inc.	73	Canada
Cascades USA Inc.	100	Delaware
Cascades S.A.S. (France)	100	France
Cascades Europe S.A.S.	100	France
Reno de Medici S.p.A.	57.61	Italy

B. TRANSACTIONS AND CHANGE IN OWNERSHIP

Acquisitions or disposals of equity interests that do not result in the Corporation obtaining or losing control are treated as equity transactions. When the Corporation obtains or loses control, the revaluation of the previously held interest or the non-controlling interest that results in gains or losses for the Corporation is recognized in the consolidated statement of earnings.

C. ASSOCIATES

Associates are all entities over which the Corporation has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognized at cost. The Corporation's investment from associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

Unrealized gains on transactions between the Corporation and its associates are eliminated to the extent of the Corporation's interest in the associates. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Corporation. Dilution gains and losses arising in investments in associates are recognized in the consolidated statement of earnings.

The Corporation assesses, at each year-end, whether there is any objective evidence that its interest in associates is impaired. If impaired, the carrying value of the Corporation's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less cost of disposal or value in use) and charged to the consolidated statement of earnings.

D. JOINT VENTURES

A joint venture is an entity in which the Corporation holds a long-term interest and for which it shares joint control over decisions regarding relevant activities. The Corporation reports its interests in joint ventures using the equity method. Accounting policies of joint ventures have been adjusted where necessary to ensure consistency with the policies adopted by the Corporation.

REVENUE RECOGNITION

The Corporation recognizes its sales, which consist of product sales, when it is probable that the economic benefits will flow to the Corporation, the goods are shipped and the significant risks and benefits of ownership are transferred, the amount of revenue can be measured reliably, and collection of the resulting receivable is reasonably assured.

Revenue is measured based on the price specified in the sales contract, net of discounts and estimated returns at the time of sale. Historical experience is used to estimate and provide for discounts and returns. Volume discounts are assessed based on anticipated annual sales.

FINANCIAL INSTRUMENTS AND HEDGING RELATIONSHIPS

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

CLASSIFICATION

The Corporation classifies its financial instruments in the following categories: at fair value through profit or loss, held to maturity ("HTM"), loans and receivables, available for sale ("AFS") and other liabilities. The classification depends on the purpose for which the financial instruments were acquired or issued. Management determines the classification of its financial assets and financial liabilities at initial recognition. Settlement date accounting is used by the Corporation for all financial assets.

A. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

A financial asset or financial liability is classified in this category if it is acquired principally for the purpose of selling or repurchasing in the short term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of earnings. Gains and losses arising from changes in fair value are presented in the consolidated statement of earnings in loss (gain) on acquisition, disposal and others in the period in which they arise. Financial assets and financial liabilities at fair value through profit or loss are classified as current, except for the portion expected to be realized or paid beyond 12 months of the consolidated balance sheet date, which is classified as long-term.

B. HELD TO MATURITY

HTM financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities, other than loans and receivables, AFS or fair value through profit or loss that the entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost. The Corporation has no HTM financial assets as at December 31, 2014 and 2013.

C. AVAILABLE-FOR-SALE FINANCIAL ASSETS

AFS investments are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. AFS investments are recognized initially at fair value plus transaction costs, and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in the statement of other comprehensive income (loss). AFS investments are classified as long-term, unless the investment matures within 12 months, or Management expects to dispose of them within 12 months.

Interest on AFS investments, calculated using the effective interest method, is recognized in the consolidated statement of earnings as part of financing expense. Dividends on AFS equity instruments are recognized in the consolidated statement of earnings as part of loss (gain) on derivative financial instruments when the Corporation's right to receive payment is established. When an AFS investment is sold or impaired, the accumulated gains or losses are moved from Accumulated other comprehensive income (loss) to the consolidated statement of earnings and included in loss (gain) on derivative financial instruments.

D. LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Corporation's loans and receivables comprise accounts receivable, notes receivable from business disposals, the Greenpac bridge loan and cash and cash equivalents. Loans and receivables are initially recognized at fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

E. FINANCIAL LIABILITIES AT AMORTIZED COST

Financial liabilities at amortized cost include bank loans and advances, trade and other payables, and long-term debt. Financial liabilities at amortized cost are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, they are measured at amortized cost using the effective interest method. They are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as long-term liabilities.

IMPAIRMENT OF FINANCIAL ASSETS

At each report date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Corporation recognizes an impairment loss, as follows:

i) Financial assets carried at amortized cost: The impairment loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
ii) AFS financial assets: The impairment loss is the difference between the original cost of the asset and its permanent fair value decrease at the measurement date, less any impairment losses previously recognized in the consolidated statement of earnings. This amount represents the cumulative loss in "Accumulated other comprehensive income (loss)" that is reclassified to net earnings (loss).

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on AFS equity instruments are not reversed.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. The Corporation designates certain derivative financial instruments as either:

i) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
ii) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
iii) hedges of a net investment in a foreign operation (net investment hedge).

The Corporation formally documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Corporation also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a long-term asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

A. CASH FLOW HEDGE

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the statement of other comprehensive income (loss). The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of earnings.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the consolidated statement of earnings on the same line as the hedged item. The gain or loss relating to the ineffective portion is recognized in the consolidated statement of earnings as part of loss (gain) on derivative financial instruments. However, when the forecasted transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in Cost of goods sold in the case of inventory or in Depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the consolidated statement of earnings. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of earnings.

B. NET INVESTMENT HEDGE

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in the statement of other comprehensive income (loss). The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of earnings. Gains and losses accumulated in equity are included in the consolidated statement of earnings when the foreign operation is partially disposed of or sold.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, bank balances and short-term liquid investments with original maturities of three months or less.

ACCOUNTS RECEIVABLE

Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less a provision for doubtful accounts that is based on expected collectability.

INVENTORIES

Inventories of finished goods are valued at the lower of cost, determined by either average production cost or retail method, or net realizable value. Inventories of raw material and supplies are valued at the lower of cost or replacement value, which is the best available measure of their net realizable value. Cost of raw material and supplies is determined using the average cost and first-in, first-out methods respectively. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are recorded at cost less accumulated depreciation and net impairment losses, including interest incurred during the construction period of qualifying property, plant and equipment. Repairs and maintenance costs are charged to the consolidated statement of earnings during the period in which they are incurred. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. Depreciation is calculated on a straight-line basis as follows:

Buildings	Between 20 and 33 years
Machinery and equipment	Between 7 and 20 years
Automotive equipment	Between 5 and 10 years
Other property, plant and equipment	Between 3 and 10 years

GRANTS AND INVESTMENT TAX CREDITS

Grants and investment tax credits for property, plant and equipment are accounted for using the cost reduction method and are amortized to earnings as a reduction of depreciation, using the same basis as that used to depreciate the related property, plant and equipment.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until all the activities necessary to prepare the asset for its intended use are complete. All other borrowing costs are recognized in the consolidated statement of earnings in the period in which they are incurred.

INTANGIBLE ASSETS

Intangible assets consist primarily of customer relationships and client lists, application software and favourable leases. They are recorded at cost less accumulated amortization and impairment losses and amortized on a straight-line basis, over the estimated useful lives as follows:

Customer relationships and client lists	Between 2 and 30 years
Other finite-life intangible assets	Between 2 and 20 years
Application software	Between 3 and 10 years
Enterprise Resource Planning (ERP)	7 years
Favourable leases	Term of the lease

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

IMPAIRMENT

A. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS WITH FINITE USEFUL LIFE

At the end of each reporting period, the Corporation assesses whether there is an indicator that the carrying amount of an asset or a group of assets may be higher than its recoverable amount. For that purpose, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units (CGUs)).

When the recoverable amount is lower than the carrying amount, the carrying amount is reduced to the recoverable amount. Impairment losses are recorded immediately in the consolidated statement of earnings in the line item Impairment charges and restructuring costs. Impairment losses are evaluated for potential reversals when events or changes in circumstances warrant such consideration. The revalued carrying value is the lower of the estimated recoverable amount and the carrying amount that would have been determined had no impairment loss been recognized and depreciation had been taken previously on the asset or CGU. A reversal of impairment loss is recorded directly in the consolidated statement of earnings in the line item Impairment charges and restructuring costs.

B. GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

Goodwill and other intangible assets with an indefinite useful life are recognized at cost less any accumulated impairment losses. They have an indefinite useful life due to their permanent nature since they are acquired rights or not subject to wear and tear. They are reviewed for impairment annually on December 31 or when an event or a circumstance occurs and indicates that the value could be permanently impaired. Goodwill and other intangible assets with an indefinite useful life are allocated to CGUs for the purpose of impairment testing based on the level at which Management monitors it, which is not higher than an operating segment. The allocation is made to CGUs that are expected to benefit from the business combination in which the goodwill and other intangible assets with an indefinite useful life arose. Impairment loss on goodwill is not reversed.

C. RECOVERABLE AMOUNTS

A recoverable amount is the higher of fair value less cost of disposal or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU. When determining fair value less cost of disposal, the Corporation considers if there is a market price for the asset being evaluated. Otherwise, the Corporation uses the income approach.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of earnings on a straight-line basis over the term of the lease.

The Corporation leases certain property, plant and equipment. Leases of property, plant and equipment for which the Corporation has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property or the present value of the minimum lease payments. Property, plant and equipment acquired under a finance lease are depreciated over the shorter of the estimated useful life of the asset or the lease term using the straight-line method. Each lease payment is allocated between the liability and the financing expense so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of financing expense, are included in long-term debt.

PROVISIONS FOR CONTINGENCIES AND CHARGES

Provisions for contingencies include mainly legal and other claims. A provision is recognized when the Corporation has a legal or constructive obligation as a result of a past event and it is probable that settlement of the obligation will require a financial payment or cause a financial loss, and a reliable estimate of the amount of the obligation can be made.

If some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recorded in the consolidated balance sheet as a separate asset, but only if it is virtually certain that the reimbursement will be received.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as a financing expense.

ENVIRONMENTAL RESTORATION OBLIGATIONS AND ENVIRONMENTAL COSTS

An obligation to incur restoration and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a plant or landfill site. Such costs arising from the installation of a plant and other site preparation work are provided for and capitalized at the start of each project, or as soon as the obligation to incur such costs arises. Decommissioning costs are recorded at the estimated amount at which the obligation could be settled at the consolidated balance sheet date, and are charged against profit over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. The discount rate is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Costs for restoring subsequent site damage which is created on an ongoing basis during production are provided for at their present values and charged against profit as the obligation arises.

Changes in the measurement of a liability relating to the decommissioning of a plant or other site preparation work which result from changes in the estimated timing or amount of the cash flow, or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the current year. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in the consolidated statement of earnings. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy for impairment testing.

LONG-TERM DEBT

Long-term debt is recognized initially at fair value, net of financing costs incurred. Long-term debt is subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of earnings over the period of the term of the debt using the effective interest method.

Financing costs paid on establishment of the revolving credit facility are recognized as deferred financing costs and amortized on a straight-line basis over the anticipated period of the credit facility.

EMPLOYEE BENEFITS

The Corporation offers funded and unfunded defined benefit pension plans, defined contribution pension plans and group registered retirement savings plans (RRSP) that provide retirement benefit payments for most of its employees. The defined benefit pension plans are usually contributory and are based on the number of years of service and, in most cases the average salaries or compensation at the end of a career. Retirement benefits are not adjusted based on inflation. The Corporation also offers its employees some post-employment benefit plans, such as a retirement allowance, group life insurance and medical and dental plans. However, these benefits, other than pension plans, are not funded. Furthermore, the medical and dental plans upon retirement are being phased out and are no longer offered to the majority of the new retirees, and the retirement allowance is not offered to those who do not meet certain criteria.

The liability recognized in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated at least every three years by independent actuaries using the projected unit credit method, and updated regularly by management for any material transactions and changes in circumstances, including changes in market prices and interest rates up to the end of the reporting period.

As well, when an asset is recorded for a pension plan, its carrying value cannot be greater than the future economic benefit that the Corporation will get from the asset. The future economic benefit includes the suspension of contribution if the pension plan provisions allows for it under the minimum funding requirements. When there is a minimum funding requirement, it can increase the liability recorded. All special contributions legally required to fund a plan deficit are considered. For plans for which an actuarial evaluation is required as at December 31, 2014, a schedule of contributions is estimated to establish the minimum funding requirement. For other plans, we have used contributions from the most recent actuarial report.

Actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are recorded in the statement of other comprehensive income (loss) and recognized immediately in retained earnings without recycling to the consolidated statement of earnings. Past service costs are recognized immediately in the consolidated statement of earnings.

When restructuring a plan results in a curtailment and settlement occurring at the same time, the curtailment is accounted for before the settlement.

Interest costs on pension and other post-employment benefits are recognized in the consolidated statement of earnings as Interest expense on employee future benefits. The measurement date of the employee future benefit plans is December 31 of each year. An actuarial evaluation is performed at least every three years. Based on their balances as at December 31, 2014, 100% of the plans were evaluated on December 31, 2013 (45% in 2012).

INCOME TAXES

The Corporation uses the liability method to recognize deferred income taxes. According to this method, deferred income taxes are determined using the difference between the accounting and tax bases of assets and liabilities. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the consolidated balance sheet date that are expected to apply when the deferred income taxes are expected to be recovered or settled. Deferred income tax assets are recognized when it is probable that the asset will be realized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the Corporation's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is Cascades' functional currency.

A. FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in currencies other than the business unit's functional currency are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the consolidated balance sheet date. Unrealized gains and losses on translation of monetary assets and liabilities are reflected in the consolidated statement of earnings for the year.

B. FOREIGN OPERATIONS

The assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rate prevailing at the consolidated balance sheet date. Revenues and expenses are translated at the average exchange rate for the year. Translation gains or losses are deferred and included in Accumulated other comprehensive income (loss).

SHARE-BASED PAYMENTS

The Corporation uses the fair value method of accounting for stock-based compensation awards granted to officers and key employees. This method consists in recording expenses to earnings based on the vesting period of each tranche of options granted. The fair value of each tranche is calculated based on the Black-Scholes option pricing model. This model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. When stock options are exercised, any considerations paid by employees, as well as the related stock-based compensation, are credited to capital stock.

DIVIDEND DISTRIBUTION

Dividend distribution to the Corporation's Shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the Corporation's Board of Directors.

EARNINGS PER COMMON SHARE

Basic earnings per common share are determined using the weighted average number of common shares outstanding during the period. Diluted earnings per common share are determined by adjusting the weighted average number of common shares outstanding for dilutive instruments, which are primarily stock options, using the treasury stock method to evaluate the dilutive effect of stock options. Under this method, instruments with a dilutive effect, which is when the average market price of a share for the period exceeds the exercise price, are considered to have been exercised at the beginning of the period and the proceeds received are considered to have been used to redeem common shares of the Corporation at the average market price for the period.

NOTE 3
CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

A) NEW IFRS ADOPTED

IFRS 7 — FINANCIAL INSTRUMENTS DISCLOSURES

IFRS 7 requires disclosure of both gross and net information about financial instruments eligible for offset in the balance sheet and financial instruments subject to master netting arrangements. Concurrent with the amendments to IFRS 7, the IASB also amended IAS 32, Financial Instruments: Presentation to clarify the existing requirements for offsetting financial instruments in the balance sheet. The amendments to IAS 32 were effective as of January 1, 2014. The Corporation evaluated this standard and there is no impact on the consolidated financial statements.

B) RECENT IFRS PRONOUNCEMENTS NOT YET ADOPTED

IFRS 15 — REVENUE RECOGNITION

In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers. IFRS 15 replaces all previous revenue recognition standards, including IAS 18 - Revenue, and related interpretations such as IFRIC 13 - Customer Loyalty Programs. The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces more prescriptive guidance than was included in previous standards and may result in changes in classification and disclosure in addition to changes in the timing of recognition for certain types of revenues. The new standard is effective for annual periods beginning on or after January 1, 2017 with early adoption permitted. At this time, the Corporation is reviewing the impact that this standard will have on its consolidated financial statements.

IFRS 9 — FINANCIAL INSTRUMENTS

In July 2014, the IASB released the final version of IFRS 9, Financial Instruments. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models for debt instruments in IAS 39, Financial Instruments: Recognition and Measurement, with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are recognized either at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss insofar as they do not clearly represent a return on investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities carry forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in the statement of other comprehensive income. It also includes guidance on hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Corporation is currently evaluating the impact of the standard on its consolidated financial statements.

NOTE 4
CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and disclosure of contingencies at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. On a regular basis and with the information available, Management reviews its estimates, including those related to environmental costs, employee future benefits, collectability of accounts receivable, financial instruments, contingencies, income taxes, useful life and residual value of property, plant and equipment and impairment of property, plant and equipment and intangible assets. Actual results could differ from those estimates. When adjustments become necessary, they are reported in earnings in the period in which they occur.

A. IMPAIRMENT OF LONG-LIVED ASSETS, INTANGIBLE ASSETS AND GOODWILL

In determining the recoverable amount of an asset or a CGU, the Corporation uses several key assumptions, based on external information on the industry when available, and including estimated production levels, selling prices, volume, raw material costs, foreign exchange rates, growth rates, discounting rates and capital spending.

The Corporation believes its assumptions are reasonable. Based on available information at the assessment date, however these assumptions involve a high degree of judgment and complexity. Management believes that the following assumptions are the most susceptible to change and therefore could impact the valuation of the assets in the next year.

DESCRIPTION OF SIGNIFICANT IMPAIRMENT TESTING ASSUMPTIONS (see Notes 5 and 24)

GROWTH RATES

The assumptions used were based on the Corporation's internal budget. Revenues, operating margins and cash flows were projected for a period of five years, and a perpetual long-term growth rate was applied thereafter. In arriving at its forecasts, the Corporation considered past experience, economic trends such as gross domestic product growth and inflation, as well as industry and market trends.

DISCOUNT RATES

The Corporation assumed a discount rate in order to calculate the present value of its projected cash flows. The discount rate represents a weighted average cost of capital ("WACC") for comparable companies operating in similar industries of the applicable CGU, group of CGUs or reportable segment, based on publicly available information.

FOREIGN EXCHANGE RATES

Foreign exchange rates are determined using the financial institutions' average forecast for the first two years of forecasting. For the three following years, the Corporation uses the last five years' historical average of the foreign exchange rate. Terminal rate is based on historical data of the last 20 years and adjusted to reflect management best estimate.

Considering the sensitivity of the key assumptions used, there is measurement uncertainty since adverse changes in one or a combination of the Corporation's key assumptions could cause a significant change in the carrying amounts of these assets.

B. INCOME TAXES

The Corporation is required to estimate the income taxes in each jurisdiction in which it operates. This includes estimating a value for existing tax losses based on the Corporation's assessment of its ability to use them against future taxable income before they expire. If the Corporation's assessment of its ability to use the tax losses proves inaccurate in the future, more or less of the tax losses might be recognized as assets, which would increase or decrease the income tax expense and, consequently, affect the Corporation's results in the relevant year.

C. EMPLOYEE BENEFITS

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on years of service and Management's best estimate of expected plan investment performance, salary escalations, retirement ages of employees and expected healthcare costs. The accrued benefit obligation is evaluated using the market interest rate at the evaluation date. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed annually.

CRITICAL JUDGMENTS IN APPLYING THE CORPORATION'S ACCOUNTING POLICIES

SUBSIDIARIES AND EQUITY ACCOUNTED INVESTMENTS

Significant judgment is applied in assessing whether certain investment structures result in control, joint control or significant influence over the operations of the investment. Management's assessment of control, joint control or significant influence over an investment will determine the accounting treatment for the investment.The Corporation has a 59.7% interest in an associate ("Greenpac"). Greenpac's Shareholders agreement requires a majority of 80% for all decision-making related to relevant activities. Consequently, the Corporation does not have the power over relevant activities of Greenpac and its participation is accounted for as an associate.

NOTE 5
DISCONTINUED OPERATIONS AND DISPOSAL

DISCONTINUED OPERATIONS

Containerboard Group

On December 11, 2014, the Containerboard Group announced that it had reached an agreement for the sale of its boxboard activities in North America to Graphic Packaging Holding Company for $45 million. The sale was completed on February 4, 2015. Following the announcement, impairment charges of $2 million on intangible assets, $23 million on property, plant and equipment and $6 million on spare parts were recorded.

In the second quarter of 2014, the Containerboard Group had reviewed the recoverable value of one boxboard mill and recorded impairment charges of $12 million on property, plant and equipment and $5 million on spare parts. In the same quarter, we also recorded impairment charges of $16 million on notes receivable related to the 2011 disposal of our U.S. boxboard activities.

In the third quarter of 2014, the Containerboard Group sold a building in connection with a closed plant and recorded a gain of $1 million. Also during the third quarter, in connection with our boxboard plants sold in 2011, we recorded a loss of $2 million related to an onerous lease contract following the bankruptcy of Fusion Paperboard.

The operating results and cash flows from these activities are presented as discontinued operations and prior periods have been restated.

(in millions of Canadian dollars)	2014	2013
Results of the discontinued operations of North American boxboard activities		
Sales, net of intercompany transactions	226	219
Cost of sales and expenses (excluding depreciation and amortization), net of intercompany transactions	207	209
Depreciation and amortization	6	7
Selling and administrative expenses	11	12
Loss on acquisitions, disposals and others	1	—
Impairment charges and restructuring costs	64	—
Foreign exchange gain	(1)	(1)
Operating loss	(62)	(8)
Financing expense	—	(1)
Interest expense on employee future benefits	—	1
Recovery of income tax	(18)	(2)
Net loss from discontinued operations	(44)	(6)

(in millions of Canadian dollars)	2014	2013
Net cash flow of discontinued operations of North American boxboard activities		
Cash flow from (used for):		
Operating activities	9	(10)
Investing activities	—	(2)
Total	9	(12)

ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

BUSINESS SEGMENT	CONTAINERBOARD GROUP
	North American Boxboard Activities
(in millions of Canadian dollar)	
Accounts receivables	25
Inventories	25
Property, plant and equipment	19
Other assets	3
Total assets	72
Trade and other payables	25
Other liabilities	7
Total liabilities	32
Net assets classified as held for sale	40
Estimated selling price adjustment related to pension plan deficit as at December 31, 2014	4
Estimated selling price adjustment related to working capital balance as at December 31, 2014	1
Base selling price as per agreement	45

Boxboard Europe Group

On June 15, 2014, following the announcement made in 2013, we definitively ceased the operation of our virgin boxboard mill located in Sweden. Following the closure, we recorded an impairment charge of $4 million on spare parts and severances of $7 million. An environmental provision of $1 million was recorded as well.

In 2013, the Djupafors mill recorded severances totaling $1 million in relation to consolidation of its virgin boxboard activities in Djupafors, Sweden. The mill also recorded an impairment charge of $10 million on property, plant and equipment. This impairment charge was recorded due to sustained difficult market conditions which led to insufficient profitability. The recoverable amount was based on the selling price of assets as it was higher than the income approach.

The operating results and cash flows from this activity are presented as discontinued operations and prior periods have been restated.

(in millions of Canadian dollars)	2014	2013
Results of the discontinued operations of Swedish virgin boxboard activities		
Sales, net of intercompany transactions	32	51
Cost of sales and expenses (excluding depreciation and amortization), net of intercompany transactions	32	54
Depreciation and amortization	—	1
Selling and administrative expenses	2	3
Impairment charges and restructuring costs	12	11
Net loss from discontinued operations	(14)	(18)

(in millions of Canadian dollars)	2014	2013
Net cash flow of the discontinued operations of Swedish virgin boxboard activities		
Cash flow from (used for):		
Operating activities	3	(7)

Specialty Product Group

On June 30, 2014, we sold our fine papers activities of the Specialty Products Group to Les Entreprises Rolland, a subsidiary of H.I.G. Capital, for a cash consideration of $39 million, before transaction fees of $1 million, of which $37 million was received on closing and $2 million during the third quarter. During the third quarter, the Corporation recorded and paid a preliminary working capital adjustment of $2 million. The transaction is still subject to working capital adjustment as of December 31, 2014. A loss on disposal of $43 million was recorded in 2014.

On September 26, 2014, we ceased the operation of our kraft papers manufacturing activities of the Specialty Product Group located in East Angus, Québec. The closure was announced on July 9, 2014, and an impairment charge of $2 million on spare parts and restructuring costs of $4 million were recorded in the second quarter. At the same time, a curtailment gain of $9 million was recorded on the pension plan. In the fourth quarter, we recorded $1 million of closure costs for the mill.

In 2013, the recoverable amount of the East Angus mill had been reviewed and impairment charges of $16 million on property, plant and equipment and $4 million on spare parts were recorded. The strength of the Canadian dollar over the last few years combined with lower demand reduced profitability. The recoverable amount was based on the selling prices of assets as it was higher than the income approach.

The operating results and cash flows from these activities, which constituted the specialty papers sectors, are presented as discontinued operations and prior periods have been restated.

(in millions of Canadian dollars)	2014	2013
Results of the discontinued operations of specialty papers sector		
Sales, net of intercompany transactions	148	226
Cost of sales and expenses (excluding depreciation and amortization), net of intercompany transactions	128	194
Depreciation and amortization	3	7
Selling and administrative expenses	9	15
Loss on acquisitions, disposals and others	43	—
Impairment charges and restructuring costs	(2)	20
Operating loss	(33)	(10)
Interest expense on employee future benefits	1	3
Recovery of income tax	(9)	(5)
Net loss from discontinued operations	(25)	(8)

(in millions of Canadian dollars)	2014	2013
Net cash flow of discontinued operations of specialty papers sector		
Cash flow from (used for):		
Operating activities	7	13
Investing activities	35	(6)
Total	42	7

Corporate activities

In 2013, in Corporate activities, we also reversed a $2 million provision for which we retained liability following the Dopaco sale in 2011 as it did not materialize.

(in millions of Canadian dollars)	2014	2013
Condensed net loss from discontinued operations	(83)	(30)
Condensed net loss from discontinued operations per common share		
Basic and diluted	$ (0.89)	$ (0.33)

DISPOSAL OF THE FINE PAPERS ACTIVITIES

Assets and liabilities of the fine papers activities at the time of disposal were as follows:

BUSINESS SEGMENT	SPECIALTY PRODUCTS GROUP
	Fine Papers Activities
(in millions of Canadian dollars)	
Accounts receivables	26
Inventories	33
Property, plant and equipment	62
Other assets	9
	130
Trade and other payables	30
Provisions for contingencies and charges	1
Other liabilities	23
	54
	76
Loss on disposal before tax and transaction fees	(42)
Transaction fees	(1)
Non-cash provision for working capital adjustment	3
Total consideration received	36

NOTE 6
ACCOUNTS RECEIVABLE

(in millions of Canadian dollars)	NOTE	2014	2013
Accounts receivable - Trade		416	458
Receivables from related parties	28	19	20
Less: provision for doubtful accounts		(12)	(13)
Trade receivables - net		423	465
Provisions for volume rebates		(31)	(27)
Other		61	74
		453	512

As of December 31, 2014, trade receivables of $99 million (December 31, 2013 - $155 million) were past due but not impaired. The aging of these trade receivables at each reporting date is as follows:

(in millions of Canadian dollars)	2014	2013
Past due 1-30 days	72	118
Past due 31-60 days	14	23
Past due 61-90 days	9	9
Past due 91 days and over	4	5
	99	155

Movements in the Corporation's allowance for doubtful accounts are as follows:

(in millions of Canadian dollars)	2014	2013
Balance at beginning of year	13	12
Provision for doubtful accounts, net of unused beginning balance	4	4
Receivables written off during the year as uncollectable	(4)	(3)
Business disposals	(1)	—
Balance at end of year	12	13

The change in the provision for doubtful accounts has been included in Selling and administrative expenses in the consolidated statement of earnings.

The maximum exposure to credit risk at the reporting date approximates the carrying value of each class of receivable mentioned above.

NOTE 7
INVENTORIES

(in millions of Canadian dollars)	2014	2013
Finished goods	218	254
Raw material	99	128
Supplies and spare parts	145	161
	462	543

As at December 31, 2014, finished goods, raw material and supplies and spare parts were adjusted to net realizable value ("NRV") by $7 million, nil and $1 million, respectively (December 31, 2013 - $5 million, nil, $2 million). As at December 31, 2014, the carrying amount of inventory carried at net realizable value consisted of $19 million in finished goods inventory, nil in raw material inventory and nil million in supplies and spare parts (December 31, 2013 - $22 million, nil and $4 million).

The Corporation has sold all the goods that were written down in 2013. No reversal of previously written-down inventory occurred in 2014 nor in 2013. The cost of raw material and supplies and spare parts included in Cost of sales amounted to $1,405 million (2013 - $1,268 million).

NOTE 8
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

A. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES ARE DETAILED AS FOLLOWS:

(in millions of Canadian dollars)	2014	2013
Investments in associates	217	230
Investments in joint ventures	42	31
	259	261

Investments in associates and joint ventures as at December 31, 2014, include goodwill of $49 million (December 31, 2013 - $20 million).

B. INVESTMENTS IN ASSOCIATES

The following are the principal associates of the Corporation:

	PERCENTAGE OF EQUITY OWNED (%)	BUSINESS RELATIONSHIP	PRINCIPAL ESTABLISHMENT
Boralex Inc.	34.23	Note 1	Kingsey Falls, Canada
Greenpac Holding LLC	59.7	Note 2	Niagara Falls, United States

1 Boralex Inc., is a Canadian public corporation and a major electricity producer whose core business is the development and operation of power stations that generate renewable energy, with operations in Canada, the northeastern United States and France.

2 Greenpac Holding LLC is an American corporation that manufactures a light-weight linerboard made with 100% recycled fibres.

The Corporation's financial information from its principal associates (100%) is as follows:

	2014		2013	
(in millions of Canadian dollars)	BORALEX INC.	GREENPAC HOLDING LLC	BORALEX INC.	GREENPAC HOLDING LLC
Balance sheet				
Cash and cash equivalents	75	56	125	13
Current assets	158	114	193	70
Current financial assets	1	—	—	—
Long-term assets	1,756	504	1,229	479
Long-term financial assets	3	—	—	—
Current liabilities	59	47	60	33
Current financial liabilities	206	41	99	5
Long-term liabilities	61	—	50	—
Long-term financial liabilities	1,256	341	828	338
Statements of earnings (loss)				
Sales	193	246	169	58
Depreciation and amortization	60	24	54	9
Financing expense	58	25	51	11
Provision for (recovery of) income taxes	(1)	—	1	—
Net earnings (loss)	(11)	(4)	(4)	(18)
Other comprehensive income (loss)				
Translation adjustment	(2)	(2)	18	—
Cash flow hedges	(28)	(10)	25	(10)
Available for sale asset	—	—	1	—
	(30)	(12)	44	(10)
Total comprehensive income (loss)	(41)	(16)	40	(28)
Cash flow				
Dividend received from associates	7	—	—	—

Investment in Boralex Inc. has a fair value of $169 million as at December 31, 2014 (December 31, 2013 - $142 million).

C. INVESTMENT IN JOINT VENTURES

The following are the principal joint ventures of the Corporation and the Corporation's percentage of equity owned:

	PERCENTAGE EQUITY OWNED (%)	BUSINESS RELATIONSHIP	PRINCIPAL ESTABLISHMENT
Cascades Sonoco Inc.	50	Note 1	Birmingham and Tacoma, United States
Cascades Conversion Inc.	50	Note 1	Kingsey Falls, Canada
Converdis Inc.	50	Note 1	Berthierville, Canada
Maritime Paper Products Limited Partnership (MPPLP)	40	Note 2	Dartmouth, Nova Scotia

1 The joint ventures all produce specialty paper packaging products such as headers, rolls and wrappers.
2 MPPLP is a Canadian corporation converting containerboard.

The Corporation's joint ventures information (100%) is as follows:

				2014
(in millions of Canadian dollars)	CASCADES SONOCO INC.	CASCADES CONVERSION INC.	CONVERDIS INC.	MARITIME PAPER PRODUCTS LIMITED PARTNERSHIP
Balance sheet				
Cash and cash equivalents	4	1	—	—
Current assets	25	14	6	24
Long-term assets	12	26	5	34
Current liabilities	6	3	2	—
Current financial liabilities	2	1	—	19
Long-term liabilities	3	2	1	6
Long-term financial liabilities	—	—	—	4
Statement of earnings (loss)				
Sales	104	62	23	86
Depreciation and amortization	2	1	—	2
Provision for income taxes	3	2	—	—
Net earnings (loss)	7	6	1	(4)
Other comprehensive income (loss)				
Translation adjustment	3	—	—	—
Total comprehensive income (loss)	10	6	1	(4)
Cash flow				
Dividend received from joint ventures	3	3	—	—

			2013
(in millions of Canadian dollars)	CASCADES SONOCO INC.	CASCADES CONVERSION INC.	CONVERDIS INC.
Balance sheet			
Cash and cash equivalents	4	2	—
Current assets	20	17	5
Long-term assets	12	21	5
Current liabilities	4	5	2
Current financial liabilities	3	—	—
Long-term liabilities	3	2	1
Statement of earnings			
Sales	97	62	24
Depreciation and amortization	1	1	—
Provision for income taxes	3	2	—
Net earnings	7	6	1
Other comprehensive income			
Translation adjustment	1	—	—
Total comprehensive income	8	6	1
Cash flow			
Dividend received from joint ventures	6	3	—

There are no contingent liabilities relating to the Corporation's interest in the joint ventures, and no contingent liabilities of the ventures themselves.

D. SUBSIDIARIES WITH NON-CONTROLLING INTEREST

The Corporation's information for its subsidiaries with significant non-controlling interest is as follows:

	2014			2013		
(in millions of Canadian dollars, unless otherwise noted)	RENO DE MEDICI S.p.A.	NORCAN FLEXIBLE PACKAGING	CASCADES RECOVERY INC.	RENO DE MEDICI S.p.A.	NORCAN FLEXIBLE PACKAGING	CASCADES RECOVERY INC.
Principal establishment	Milan, Italy	Mississauga, Canada	Toronto, Canada	Milan, Italy	Mississauga, Canada	Toronto, Canada
% of shares held by non-controlling interest	42.39%	37.9%	27%	42.39%	43.54%	27%
Net earnings (loss) attributable to non-controlling interest	5	(3)	2	3	(1)	1
Non-controlling interest accumulated at the end of the year	83	(1)	28	85	2	26
Subsidiaries financial information						
Assets	508	10	132	559	18	124
Liabilities	313	12	39	360	13	39
Net earnings (loss)	6	(4)	6	3	(1)	3
Cash flows from operating activities	37	—	16	37	1	16
Cash flows from investing activities	(20)	—	(9)	(17)	—	(5)
Cash flows from financing activities	(17)	—	(2)	(21)	(1)	(16)

In 2010, the Corporation entered into a put and call agreement with Industria E Innovazione ("Industria") whereby it had the option to buy 9.07% (100% of the shares held by Industria) of the shares of Reno de Medici (RdM) for €0.43 per share between March 1, 2011 and December 31, 2012. Industria also had the option of requiring the Corporation to purchase its shares for €0.41 per share between January 1, 2013 and March 31, 2014. As the put option held by Industria became effective on January 1, 2013, the non-controlling interest has been adjusted by 9.07% effective January 1, 2013, to 42.39%.

E. NON-SIGNIFICANT ASSOCIATES AND JOINT VENTURES

The carrying value of investments in associates and joint ventures that are not significant, for the Corporation is as follows:

(in millions of Canadian dollars)	2014	2013
Non-significant associates	13	13
Non-significant joint ventures	8	7
	21	20

The shares of results of non-significant associates and joint ventures, for the Corporation are as follows:

(in millions of Canadian dollars)	2014	2013
Non-significant associates	—	1
Non-significant joint ventures	2	(2)
	2	(1)

The Corporation received dividends of $2 million from these associates and joint ventures as at December 31, 2014 (December 31, 2013 - $3 million).

F. CONTRIBUTION TO A JOINT VENTURE

On January 31, 2014, the Corporation concluded the creation of Maritime Paper Products Limited Partnership (MPPLP), a new joint venture for converting corrugated board activities in the Atlantic provinces with Maritime Paper Products Limited (MPPL), announced on November 27, 2013. The creation of this joint venture will position our Containerboard Group to achieve future growth in the Atlantic provinces and to remain at the forefront in this market, by offering an improved and more comprehensive range of products to its customers. Furthermore, the creation of MPPLP aims to provide customers with better service through the combined strengths of our Containerboard Group and MPPL.

Our containerboard operations located in St. John's, Newfoundland, and Moncton, New Brunswick, were integrated with those of MPPL on February 1, 2014, and the Corporation received a 40% ownership in the joint venture. This transaction resulted in a gain of $5 million and non interest-bearing notes receivable totaling $4 million to be received over a 7-year period.

Net asset contribution and investment in joint venture:

BUSINESS SEGMENT	CONTAINERBOARD
Joint venture created	Maritime Paper Products Limited Partnership (MPPLP)
(in millions of Canadian dollar)	
Book value of identifiable assets and liabilities contributed:	
Accounts receivable and prepaid expenses	(4)
Inventories	(3)
Property, plant and equipment	(5)
Total assets	(12)
Accounts payable	3
Net assets contributed	(9)
Fair value of share in the joint venture	14
Notes receivable from MPPLP	4
Total consideration received	18
Total gain	9
Deferred gain on equity already owned	(4)
Net gain recorded on the transaction	5
Net investment on balance sheet:	
Fair value of share in the joint venture	14
Deferred gain on share already owned	(4)
	10

NOTE 9
PROPERTY, PLANT AND EQUIPMENT

(in millions of Canadian dollars)	NOTE	LAND	BUILDINGS	MACHINERY AND EQUIPMENT	AUTOMOTIVE EQUIPMENT	OTHER	TOTAL
As at January 1, 2013							
Cost		104	681	2,764	78	225	3,852
Accumulated depreciation and impairment		—	273	1,757	57	106	2,193
Net book amount		104	408	1,007	21	119	1,659
Year ended December 31, 2013							
Opening net book amount		104	408	1,007	21	119	1,659
Additions		3	8	51	11	84	157
Disposals		—	—	(8)	—	(2)	(10)
Depreciation		—	(25)	(123)	(7)	(9)	(164)
Impairment charges	5 and 24	(2)	(13)	—	—	(1)	(16)
Other		—	10	68	—	(76)	2
Exchange differences		4	11	37	—	4	56
Closing net book amount		109	399	1,032	25	119	1,684
As at December 31, 2013							
Cost		111	721	2,831	84	215	3,962
Accumulated depreciation and impairment		2	322	1,799	59	96	2,278
Net book amount		109	399	1,032	25	119	1,684
Year ended December 31, 2014							
Opening net book amount		109	399	1,032	25	119	1,684
Additions		1	7	17	16	141	182
Disposals		—	(2)	(1)	—	(7)	(10)
Depreciation		—	(26)	(128)	(7)	(5)	(166)
Business disposal	5	(1)	(17)	(42)	(1)	(1)	(62)
Contribution to a joint venture	8	—	(2)	(3)	—	—	(5)
Assets of disposal group classified as held for sale	5	—	(8)	(9)	(1)	(1)	(19)
Impairment charges	5 and 24	(2)	(2)	(46)	—	—	(50)
Other		1	16	141	1	(156)	3
Exchange differences		(1)	3	6	—	8	16
Closing net book amount		107	368	967	33	98	1,573
As at December 31, 2014							
Cost		110	681	2,554	93	195	3,633
Accumulated depreciation and impairment		3	313	1,587	60	97	2,060
Net book amount		107	368	967	33	98	1,573

Other property, plant and equipment includes buildings and machinery and equipment in the process of construction or installation with a book value of $63 million (December 31, 2013 - $60 million) and deposits on purchases of equipment amounting to $7 million (December 31, 2013 - $10 million). The carrying value of finance-lease assets is $18 million.

In 2014, $1 million of interest incurred on qualifying assets was capitalized. The weighted average capitalization rate on funds borrowed in 2014 was 5.74%.

NOTE 10
GOODWILL AND OTHER INTANGIBLE ASSETS

(in millions of Canadian dollars)	NOTE	APPLICATION SOFTWARE AND ERP	CUSTOMER RELATIONSHIPS AND CLIENT LISTS	OTHER INTANGIBLE ASSETS WITH FINITE USEFUL LIFE	TOTAL INTANGIBLE ASSETS WITH FINITE USEFUL LIFE	GOODWILL	OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE	TOTAL INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE
As at January 1, 2013								
Cost		81	179	41	301	329	7	336
Accumulated amortization and impairment		19	53	29	101	—	1	1
Net book amount		62	126	12	200	329	6	335
Year ended December 31, 2013								
Opening net book amount		62	126	12	200	329	6	335
Additions		15	—	—	15	—	—	—
Impairment charges	24	—	(2)	—	(2)	(4)	—	(4)
Amortization		(4)	(11)	(3)	(18)	—	—	—
Exchange differences		—	1	—	1	1	1	2
Closing net book amount		73	114	9	196	326	7	333
As at December 31, 2013								
Cost		97	180	41	318	330	8	338
Accumulated amortization and impairment		24	66	32	122	4	1	5
Net book amount		73	114	9	196	326	7	333
Year ended December 31, 2014								
Opening net book amount		73	114	9	196	326	7	333
Additions		6	—	—	6	—	—	—
Impairment charges	5	—	(2)	—	(2)	—	—	—
Amortization		(5)	(10)	(2)	(17)	—	—	—
Exchange differences		—	—	—	—	2	—	2
Closing net book amount		74	102	7	183	328	7	335
As at December 31, 2014								
Cost		102	170	35	307	332	8	340
Accumulated amortization and impairment		28	68	28	124	4	1	5
Net book amount		74	102	7	183	328	7	335

NOTE 11
OTHER ASSETS

(in millions of Canadian dollars)	NOTE	2014	2013
Notes receivable from business disposals		13	18
Other investments		7	10
Other assets		48	42
Deferred financing costs		2	4
Employee future benefits	16	20	44
		90	118
Less: Current portion, included in accounts receivables		(7)	(10)
Total other assets		83	108

In 2012, the Corporation granted a US$15 million ($15 million) bridge loan to Greenpac Holding LLC (Greenpac Project). The loan is included in Other assets will mature no later than 2021 and bears interest ranging from 7.5% to 9.5% depending on the mill debt/OIBD ratio. Including accrued interest, the bridge loan stands at $22 million as at December 31, 2014 (December 31, 2013 - $20 million). However, we expect the loan to be repaid over the next 4 years through secured tax credits to be received by members of the project and operational cash flows. In 2014, the Corporation also recorded in Other assets $2 million worth of deferred revenue for the supervision of Greenpac (2013 - $6 million). These costs are repayable to the Corporation by Greenpac Mill over an eight-year period.

NOTE 12
TRADE AND OTHER PAYABLES

(in millions of Canadian dollars)	NOTE	2014	2013
Trade payables		390	450
Payables to related parties	28	27	25
Accrued expenses		140	115
Trade and other payables		557	590

NOTE 13
PROVISIONS FOR CONTINGENCIES AND CHARGES

(in millions of Canadian dollars)	NOTE	ENVIRONMENTAL RESTORATION OBLIGATIONS	ENVIRONMENTAL COSTS	LEGAL CLAIMS	SEVERANCES	ONEROUS CONTRACT	OTHER	TOTAL PROVISIONS
As at January 1, 2013		8	13	8	2	5	3	39
Additional provision		—	1	2	4	1	—	8
Payments		—	(1)	(4)	(2)	(3)	(1)	(11)
Revaluation		—	—	—	—	—	2	2
Unwinding of discount		—	—	—	—	1	—	1
As at December 31, 2013		8	13	6	4	4	4	39
Additional provision		—	1	1	10	4	4	20
Payments		—	—	—	(12)	(2)	(1)	(15)
Revaluation		1	—	—	—	—	—	1
Business disposal	5	(1)	—	—	—	—	—	(1)
Unwinding of discount		—	—	—	—	1	—	1
Other		—	—	(4)	4	—	—	—
Exchange differences		—	—	—	(1)	—	—	(1)
As at December 31, 2014		8	14	3	5	7	7	44

Analysis of total provisions:

(in millions of Canadian dollars)	2014	2013
Non-current	33	37
Current	11	2
	44	39

ENVIRONMENTAL RESTORATION
The Corporation uses some landfill sites. A provision has been recognized at fair value for the costs to be incurred for the restoration of those sites.

ENVIRONMENTAL COSTS
An environmental provision is recorded when the Corporation has an obligation caused by its ongoing or abandoned operations.

LEGAL CLAIMS
In the normal course of operations, the Corporation is party to various legal actions and contingencies related to contract disputes and labour issues.

In the normal course of operations, the Corporation is party to various legal actions and contingencies, mostly related to contract disputes, environmental and product warranty claims, and labour issues. While the final outcome with respect to legal actions outstanding or pending as at December 31, 2014, cannot be predicted with certainty, it is Management's opinion that the outcome will not have a material adverse effect on the Corporation's consolidated financial position, the results of its operations or its cash flows.

The Corporation is currently working with representatives of the Ontario Ministry of the Environment (MOE) - Northern Region and Environment Canada - Great Lakes Sustainability Fund in Toronto, regarding its potential responsibility for an environmental impact identified at its former Thunder Bay facility ("Thunder Bay"). Both authorities have requested that the Corporation look into a site management plan relating to the

sediment quality adjacent to Thunder Bay's lagoon. Several meetings have been held during the year with the MOE and Environment Canada. A study on the sediment quality and potential remediation options has commenced.

The Corporation is also in discussions with representatives of the MOE, regarding its potential responsibility for an environmental impact identified at Thunder Bay. This facility was sold to Thunder Bay Fine Papers Inc. ("Fine Papers") in 2007. Fine Papers has since sold the facility to Superior Fine Papers Inc. ("Superior"). The MOE has requested that the Corporation together with the former owner Fine Papers and the current owner Superior submit a closure plan for the Waste Disposal Site and a decommissioning plan for the closure and long-term monitoring for the Sewage Works (the "Plans"). Although, the Corporation recognizes that where as a result of past events, there may be an outflow of resources embodying future economic benefits in settlement of a possible obligation, it is not possible at this time to estimate the Corporation's obligation, since Superior has not submitted all of the Plans and related costs to allow the Corporation to perform an evaluation nor does the Corporation have access to the site. Moreover, the Corporation is unable to ascertain the value of the assets remaining on its former site which may be available to fund this potential obligation. The Corporation is pursuing all available legal remedies to resolve the situation. In any event, Management does not consider the Corporation's potential obligation to be significant.

The Corporation has recorded an environmental reserve to address its estimated exposure for these matters.

NOTE 14
LONG-TERM DEBT

(in millions of Canadian dollars)	MATURITY	2014	2013
Revolving credit facility, weighted average interest rate of 2.63% as at December 31, 2014, consists of $103 million; US$50 million and €123 million (December 31, 2013 - $291 million; US$10 million and €125 million)	2016	332	484
7.75% Unsecured senior notes of $200 million repurchased in 2014	2016	—	199
7.75% Unsecured senior notes of US$500 million repurchased in 2014	2017	—	527
7.875% Unsecured senior notes of US$250 million	2020	287	263
5.50% Unsecured senior notes of $250 million	2021	250	—
5.50% Unsecured senior notes of US$550 million	2022	638	—
Other debts of subsidiaries		31	39
Other debts without recourse to the Corporation		73	80
		1,611	1,592
Less: Unamortized financing costs		15	13
Total long-term debt		1,596	1,579
Less:			
Current portion of debts of subsidiaries		10	15
Current portion of debts without recourse to the Corporation		30	24
		40	39
		1,556	1,540

a. On June 19, 2014, the Corporation issued US$550 million aggregate principal amount of 5.50% senior notes due in 2022 and $250 million aggregate principal amount of 5.50% due in 2021. The Corporation used the proceeds from this offering of notes to fund the purchase of the Corporation's unsecured senior notes maturing in 2016 and 2017. The Corporation used part of the proceeds of the offering to pay fees and expenses in connection with the offering and the tender offer totaling $13 million. As well, the Corporation purchased for a total consideration of US$521 million ($563 million) and $208 million, including premiums of US$21 million ($23 million) and $8 million, a total of US$500 million aggregate principal amount of 7.75% senior notes due in 2017 and $200 million aggregate principal amount of 7.75 % senior notes due in 2016.

Issuance proceeds were used as follows:

(in millions of Canadian dollars)	2014
Debt issuance	846
Offering and tender offer fees	(13)
Refinanced debt repurchase	(740)
Premium paid on refinanced debt	(31)
Decrease of credit facility	(62)

b. In 2013, the Corporation repurchased US$4 million of its 7.25% unsecured senior notes for an amount of US$4 million ($4 million) and US $6 million of its 6.75% unsecured senior notes for an amount of US$6 million ($6 million). No gain or loss resulted from these transactions.

c. As at December 31, 2014, accounts receivable and inventories totaling approximately $627 million (December 31, 2013 - $655 million) as well as property, plant and equipment totaling approximately $249 million (December 31, 2013 - $261 million) were pledged as collateral for the Corporation's revolving credit facility.

d. The Corporation has finance leases for various items of property, plant and equipment. Renewals and purchase options are specific to the entity that holds the lease. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2014		2013	
(in millions of Canadian dollars)	MINIMUM PAYMENTS	PRESENT VALUE OF PAYMENTS	MINIMUM PAYMENTS	PRESENT VALUE OF PAYMENTS
Within one year	6	5	6	5
Later than 1 year but no later than 5 years	12	9	10	7
More than 5 years	8	6	9	6
Total minimum lease payments	26	20	25	18
Less: amounts representing finance charges	6	—	7	—
Present value of minimum lease payments	20	20	18	18

NOTE 15
OTHER LIABILITIES

(in millions of Canadian dollars)	NOTE	2014	2013
Employee future benefits	16	188	202
Other		5	11
		193	213
Less: Current portion, included in Trade and other payables		(2)	(1)
Total other liabilities		191	212

NOTE 16
EMPLOYEE FUTURE BENEFITS

The Corporation operates various post-employment plans, including both defined benefit and defined contribution pension plans and post-employment benefit plans, such as retirement allowance, group life insurance and medical and dental plans. The table below outlines where the Corporation's post-employment amounts and activity are included in the financial statements.

(in millions of Canadian dollars)	NOTE	2014	2013
Balance sheet obligations for			
Defined pension benefits	16(a)	59	44
Post-employment benefits other than defined benefit pension plans	16(b)	109	114
Net liability in the balance sheet		168	158
Allocated as follow:			
Short-term		—	(6)
Long-term		168	164
Net liability on balance sheet		168	158
Income statement charge			
Defined pension benefits		8	11
Defined contribution benefits		19	18
Post-employment benefits other than defined benefit pension plans		6	6
Included in discontinued operations		(2)	11
		31	46
Remeasurements for			
Defined pension benefits	16(a)	30	(89)
Post-employment benefits other than defined benefit pension plans	16(b)	9	(8)
		39	(97)

A. DEFINED BENEFIT PENSION PLANS

The Corporation offers funded and unfunded defined benefit pension plans, defined contribution pension plans and group registered retirement savings plans (RRSP) that provide retirement benefit payments for most of its employees. The defined benefit pension plans are usually contributory and are based on the number of years of service and, in most cases the average salaries or compensation at the end of a career. Retirement benefits are not partially adjusted based on inflation.

The majority of benefit payments are payable from a trustee administered funds; however, for the unfunded plans, the Corporation meets the benefit payment obligation as it falls due. Plan assets held in trusts are governed by local regulations and practice in each country. Responsibility for governance of the plans - overseeing all aspects of the plans including investment decisions and contribution schedules - lies with the Corporation. The Corporation has established Investment Committees to assist in the management of the plans and has also appointed experienced, independent professional experts such as investments managers, investment consultants, actuaries and custodians.

The movement in the net defined benefit obligation and fair value of plan assets of pension plans over the year is as follows:

(in millions of Canadian dollars)	PRESENT VALUE OF OBLIGATION	FAIR VALUE OF PLAN ASSETS	TOTAL	IMPACT OF MINIMUM FUNDING REQUIREMENT (ASSET CEILING)	TOTAL
As at January 1, 2013	723	(598)	125	13	138
Current service cost	12	—	12	—	12
Interest expense (income)	29	(22)	7	1	8
Impact on profit or loss	41	(22)	19	1	20
Remeasurements					
Return on plan assets, excluding amounts included in interest expense (income)	—	(63)	(63)	—	(63)
Loss from change in demographic assumptions	17	—	17	—	17
Gain from change in financial assumptions	(42)	—	(42)	—	(42)
Experience gains	(1)	—	(1)	—	(1)
Impact of remeasurements on other comprehensive income	(26)	(63)	(89)	—	(89)
Exchange differences	3	(1)	2	—	2
Contributions					
Employers	—	(27)	(27)	—	(27)
Plan participants	3	(3)	—	—	—
Benefit payments	(90)	90	—	—	—
As at December 31, 2013	654	(624)	30	14	44
Current service cost	8	—	8	—	8
Interest expense (income)	27	(24)	3	—	3
Plan changes	1	—	1	—	1
Business closures	(7)	—	(7)	—	(7)
Other	7	(7)	—	—	—
Impact on profit or loss	36	(31)	5	—	5
Remeasurements					
Return on plan assets, excluding amounts included in interest expense (income)	—	(37)	(37)	—	(37)
Loss from change in demographic assumptions	2	—	2	—	2
Loss from change in financial assumptions	66	—	66	—	66
Experience losses	10	—	10	—	10
Change in asset ceiling, excluding amounts included in interest expense	—	—	—	(11)	(11)
Impact of remeasurements on other comprehensive income	78	(37)	41	(11)	30
Exchange differences	—	(1)	(1)	—	(1)
Business disposal	(134)	131	(3)	(3)	(6)
Included in assets of disposal group classified as held for sale	(51)	47	(4)	—	(4)
Contributions					
Employers	—	(9)	(9)	—	(9)
Plan participants	2	(2)	—	—	—
Benefit payments	(73)	73	—	—	—
As at December 31, 2014	512	(453)	59	—	59

The defined benefit obligation and plan assets are composed by country and by sector as follows:

				2014
(in millions of Canadian dollars)	CANADA	UNITED STATES	EUROPE	TOTAL
Present value of funded obligations	443	9	—	452
Fair value of plan assets	448	5	—	453
Deficit (surplus) of funded plans	(5)	4	—	(1)
Present value of unfunded obligations	36	—	24	60
Net liability on balance sheet	31	4	24	59

						2014
(in million of Canadian dollars)	CONTAINERBOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	TISSUE PAPERS	CORPORATE	TOTAL
Present value of funded obligations	398	—	19	34	1	452
Fair value of plan assets	409	—	13	29	2	453
Deficit (surplus) of funded plans	(11)	—	6	5	(1)	(1)
Present value of unfunded obligations	8	24	2	2	24	60
Net liability on balance sheet	(3)	24	8	7	23	59

				2013
(in millions of Canadian dollars)	CANADA	UNITED STATES	EUROPE	TOTAL
Present value of funded obligations	594	7	—	601
Fair value of plan assets	619	5	—	624
Deficit (surplus) of funded plans	(25)	2	—	(23)
Impact of minimum funding requirement (asset ceiling)	14	—	—	14
Present value of unfunded obligations	33	—	20	53
Net liability on balance sheet	22	2	20	44

						2013
(in millions of Canadian dollars)	CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	TISSUE PAPERS	CORPORATE	TOTAL
Present value of funded obligations	386	—	186	28	1	601
Fair value of plan assets	424	—	173	25	2	624
Deficit (surplus) of funded plans	(38)	—	13	3	(1)	(23)
Impact of minimum funding requirement (asset ceiling)	11	—	3	—	—	14
Present value of unfunded obligations	7	20	2	2	22	53
Net liability on balance sheet	(20)	20	18	5	21	44

The significant actuarial assumptions are as follows:

			2014			2013
	CANADA	UNITED STATES	EUROPE	CANADA	UNITED STATES	EUROPE
Discount rate	3.75%	3.62%	1.9%	4.75%	4.5%	3.25%
Salary growth rate	Between 2.5% and 3%	N/A	—%	Between 1.5% and 3%	N/A	—%
Inflation rate	2.5%	N/A	1.75%	2.5%	N/A	1.75%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. For Canadian pension plans which represent 95% of all pension plans, these assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2014	2013
Retiring at the end of the year		
Male	21.5	20.9
Female	24	23.1
Retiring 20 years after the end of the reporting year		
Male	22.6	22.6
Female	25	24.2

The sensitivity of the defined benefit obligation to changes in assumptions is set out below. The effects on each plan of a change in an assumption are weighted proportionately to the total plan obligations to determine the total impact for each assumption presented.

	IMPACT ON DEFINED BENEFIT OBLIGATION		
	CHANGE IN ASSUMPTION	INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION
Discount rate	0.25%	(3.0)%	3.1%
Salary growth rate	0.25%	0.4%	(0.3)%

	INCREASE BY 1 YEAR IN ASSUMPTION
Life expectancy	2.8%

Plan assets, which are funding the Corporation's defined pension plans, are comprised as follows:

					2014
(in millions of Canadian dollars)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	%
Cash and short-term investments	10	—	—	10	2.3 %
Bonds					
Canadian bonds	62	60	—	122	26.9 %
Shares					
Canadian shares	76	—	—	76	
Foreign shares	16	—	—	16	
				92	20.3 %
Mutual funds					
Money market funds	—	13	—	13	
Foreign bond mutual funds	—	2	—	2	
Canadian equity mutual funds	—	25	—	25	
Foreign equity mutual funds	—	115	—	115	
				155	34.2 %
Other					
Insured annuities	—	68	—	68	
Derivatives contract, net	6	—	—	6	
				74	16.3 %
	170	283	—	453	

(in millions of Canadian dollars)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	2013 %
Cash and short-term investments	28	1	—	29	4.6 %
Bonds					
Canadian bonds	115	97	—	212	
				212	34.0 %
Shares					
Canadian shares	113	—	—	113	
Foreign shares	13	—	—	13	
				126	20.2 %
Mutual funds					
Money market funds	—	11	—	11	
Canadian bond mutual funds	—	11	—	11	
Foreign bond mutual funds	—	2	—	2	
Canadian equity mutual funds	—	49	—	49	
Foreign equity mutual funds	—	176	—	176	
Alternative investments funds	—	2	—	2	
				251	40.2 %
Other					
Derivatives contract, net	6	—	—	6	
				6	1.0 %
	275	349	—	624	

The plan assets include shares of the Corporation for an amount of less than $1 million. Those shares have been bought by one of the asset managers. Annual benefit annuities of an approximate value of $68 million are pledged by insurance contracts.

B. POST EMPLOYMENT BENEFITS OTHER THAN DEFINED BENEFIT PENSION PLANS

The Corporation also offers to its employees some post-employment benefit plans, such as retirement allowance, group life insurance and medical and dental plans. However, these benefits, other than pension plans, are not funded. Furthermore, the medical and dental plans upon retirement are being phased out and are no longer offered to the majority of the new retirees, and the retirement allowance is not offered to the majority of employees hired after 2002.

The amounts recognized in the balance sheet composed by country and by sector are determined as follows:

(in millions of Canadian dollars)	CANADA	UNITED STATES	EUROPE	2014 TOTAL
Present value of unfunded obligations	81	4	24	109
Liability on balance sheet	81	4	24	109

(in millions of Canadian dollars)	CONTAINERBOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	TISSUE PAPERS	CORPORATE	2014 TOTAL
Present value of unfunded obligations	48	24	6	13	18	109
Liability on balance sheet	48	24	6	13	18	109

(in millions of Canadian dollars)	CANADA	UNITED STATES	EUROPE	2013 TOTAL
Present value of unfunded obligations	85	3	26	114
Liability on balance sheet	85	3	26	114

(in millions of Canadian dollars)	CONTAINERBOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	TISSUE PAPERS	CORPORATE	2013 TOTAL
Present value of unfunded obligations	46	26	17	12	13	114
Liability on balance sheet	46	26	17	12	13	114

The movement in the net defined benefit obligation for post-employment benefits over the year is as follows:

(in millions of Canadian dollars)	PRESENT VALUE OF OBLIGATION	FAIR VALUE OF PLAN ASSET	TOTAL
As at January 1, 2013	120	—	120
Current service cost	3	—	3
Interest expense	4	—	4
Post-employment variation	(1)	—	(1)
Plan changes	1	—	1
Impact on profit or loss	7	—	7
Remeasurements			
Loss from change in demographic assumptions	1	—	1
Gain from change in financial assumptions	(11)	—	(11)
Experience losses	2	—	2
Impact of remeasurements on other comprehensive income	(8)	—	(8)
Exchange differences	3	—	3
Contributions and premiums paid by the employer	—	(8)	(8)
Benefit payments	(8)	8	—
As at December 31, 2013	114	—	114
Current service cost	2	—	2
Interest expense	5	—	5
Plan changes	1	—	1
Business acquisitions, disposals and closures	(2)	—	(2)
Impact on profit or loss	6	—	6
Remeasurements			
Loss from change in financial assumptions	9	—	9
Impact of remeasurements on other comprehensive income	9	—	9
Business disposal	(9)	—	(9)
Contributions and premiums paid by the employer	—	(11)	(11)
Benefit payments	(11)	11	—
As at December 31, 2014	109	—	109

The method of accounting, assumptions relating to discount rate and life expectancy, and the frequency of valuations for post-employment benefits are similar to those used for defined benefit pension plans, with the addition of actuarial assumptions relating to the long-term increase in healthcare costs of 4.50% a year (2013 - 4.75%).

The sensitivity of the defined benefit obligation to changes in assumptions is set out below. The effects on each plan of a change in an assumption are weighted proportionately to the total plan obligations to determine the total impact for each assumption presented.

	IMPACT ON OBLIGATION FOR POST-EMPLOYMENT BENEFITS		
	CHANGE IN ASSUMPTION	INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION
Discount rate	0.25%	(2.4)%	2.6 %
Salary growth rate	0.25%	0.6 %	(0.6)%
Health care cost increase	1.0%	2.3 %	(2.3)%

	INCREASE BY 1 YEAR IN ASSUMPTION
Life expectancy	1.3 %

C. RISKS AND OTHER CONSIDERATIONS RELATIVE TO POST-EMPLOYMENT BENEFITS

Through its defined benefit plans, the Corporation is exposed to a number of risks, the most significant of which are detailed below.

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create an experience loss. Both the Canada and US plans hold a proportion of equities, which are expected to outperform corporate bonds in the long-term while contributing volatility and risk in the short-term.

For the Canadian pension plans, which represent 99% of funded pension plans, the Corporation intends to reduce the level of investment risk by investing more in assets that better match the liabilities when the financial situation of the plans improves and/or the rate of return on bonds used for solvency valuations will increase.

The first step of this process was completed in 2013 with the sale of a number of equity holdings and the purchase of a mixture of government and corporate bonds for smaller pension plans ($50 million or less); for larger pension plans, it has been done through future contracts. The government bonds represent investments in Canadian government securities only. The corporate bonds are global securities with an emphasis on Canada. As at December 31, 2014, 58% of the plan's assets are invested in bonds, in kind or through futures. The second step began in 2014 as we purchased $66 millions in annuities from a life insurance company for some pensioners.

However, the Corporation believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the Corporation's long-term strategy to manage the plans efficiently. Plan assets are diversified, so the failure of an individual stock would not have a big impact on the plan assets taken as a whole. The pension plans do not face a significant currency risk.

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings, particularly for plans in a good financial position that have a greater proportion of bonds.

Inflation risk

The benefits paid are not indexed. Only the future benefits for active members are based on salaries. Therefore, this risk is not significant.

Life expectancy

The majority of the plans' obligations are to provide benefits for the member's lifetime, so increases in life expectancy will result in an increase in the plans' liabilities.

Each sensitivity analysis disclosed in this note is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated using the projected unit credit method at the end of the reporting period) has been applied as for calculating the liability recognized in the statement of financial position.

As at December 31, 2014, the aggregate surplus of the Corporation's funded pension plans (mostly in Canada) amounted to $1 million (a surplus of $23 million as at December 31, 2013). The Corporation will make special payments of $1 million for past service to fund the Canadian pension plan deficit over ten years. As well, in 2015, the Corporation will make one-time contributions totaling $7 million to pension plans of units closed or sold in 2014. Current agreed expected service contributions amount to $6 million and will be made in the normal course. As for the cash flow requirement, these pension plans are expected to require a net contribution of approximately $14 million in 2015.

The weighted average duration of the defined benefit obligation is 12 years (2013 - 13 years).

Expected maturity analysis of undiscounted pension and other post-employment benefits:

(in millions of Canadian dollars)	LESS THAN A YEAR	BETWEEN 1-2 YEARS	BETWEEN 2-5 YEARS	OVER 5 YEARS	TOTAL
Pension benefits	49	30	95	1,039	1,213
Post-employment benefits other than defined benefit pension plans	9	7	26	142	184
As at December 31, 2014	58	37	121	1,181	1,397

These amounts represent all the benefits payable to current members during the following years and thereafter without limitations. The majority of benefit payments are payable from trustee administered funds. The difference will come from future investment returns expected on plan assets and future contributions that will be made by the Corporation for services rendered after December 31, 2014.

NOTE 17
INCOME TAXES

a. The provision for (recovery of) income taxes is as follows:

(in millions of Canadian dollars)	2014	2013
Current tax	16	(3)
Deferred tax	—	22
	16	19

b. The provision for (recovery of) income taxes based on the effective income tax rate differs from the provision for (recovery of) income taxes based on the combined basic rate for the following reasons:

(in millions of Canadian dollars)	2014	2013
Provision for (recovery of) income taxes based on the combined basic Canadian and provincial income tax rate	(12)	17
Adjustment of provision for (recovery of) income taxes arising from the following:		
Difference in statutory income tax rate of foreign operations	1	5
Reassessment	3	1
Permanent differences - others	22	(2)
Change in unrecognized temporary differences	2	(2)
	28	2
Provision for income taxes	16	19

Weighted average income tax rate for the year ended December 31, 2014, was 26.5% (2013 - 28.9%).

c. The provision for (recovery of) income taxes relating to components of other comprehensive income is as follows:

(in millions of Canadian dollars)	2014	2013
Foreign currency translation related to hedging activities	(6)	(4)
Cash flow hedge	—	1
Actuarial gain (loss) on post-employment benefit obligations	(11)	26
	(17)	23

The analysis of deferred tax assets and deferred tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(in millions of Canadian dollars)	2014	2013
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than 12 months	328	333
Deferred income tax assets to be recovered within 12 months	—	7
	328	340
Deferred income tax liabilities:		
Deferred income tax liabilities to be used after more than 12 months	281	331
	47	9

The movement of the deferred income tax account is as follows:

(in millions of Canadian dollars)	2014	2013
As at January 1	9	48
Through statement of earnings (loss)	—	(22)
Variance of income tax credit, net of related income tax	—	3
Through statement of comprehensive income (loss)	17	(23)
Included in discontinued operations	29	7
Exchange differences	(8)	(4)
As at December 31	47	9

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

DEFERRED INCOME TAX ASSET

(in millions of Canadian dollars)	RECOGNIZED TAX BENEFIT ARISING FROM INCOME TAX LOSSES	EMPLOYEE FUTURE BENEFITS	EXPENSE ON RESEARCH	UNUSED TAX CREDITS	FINANCIAL INSTRUMENTS	OTHERS	TOTAL
As at January 1, 2013	141	59	56	49	16	14	335
Through statement of earnings (loss)	33	(1)	7	2	(8)	(4)	29
Variance of income tax credit	—	—	—	3	—	—	3
Through statement of comprehensive income (loss)	—	(26)	—	—	(1)	—	(27)
As at December 31, 2013	174	32	63	54	7	10	340
Through statement of earnings (loss)	(17)	(11)	7	(15)	1	12	(23)
Through statement of comprehensive income (loss)	—	11	—	—	—	—	11
Included in discontinued operations	5	2	—	—	—	(8)	(1)
Exchange differences	1	—	—	—	—	—	1
As at December 31, 2014	163	34	70	39	8	14	328

DEFERRED INCOME TAX LIABILITIES

(in millions of Canadian dollars)	PROPERTY, PLANT AND EQUIPMENT	FOREIGN EXCHANGE GAIN (LOSS) ON LONG-TERM DEBT	INTANGIBLE ASSETS	INVESTMENTS	OTHERS	TOTAL
As at January 1, 2013	161	59	44	14	9	287
Through statement of earnings (loss)	8	(12)	8	40	7	51
Through statement of comprehensive loss	—	(4)	—	—	—	(4)
Included in discontinued operations	(7)	—	—	—	—	(7)
Exchange differences	4	—	—	—	—	4
As at December 31, 2013	166	43	52	54	16	331
Through statement of earnings (loss)	(12)	(20)	—	14	(5)	(23)
Through statement of comprehensive loss	—	(6)	—	—	—	(6)
Included in discontinued operations	(25)	—	(1)	(4)	—	(30)
Exchange differences	5	—	—	4	—	9
As at December 31, 2014	134	17	51	68	11	281

When taking into consideration the offsetting of balances within the same tax jurisdiction, the net deferred tax asset of $47 million is presented on the balance sheet as $185 million of deferred income tax asset amounts and $138 million of deferred income tax liabilities.

The Corporation has accumulated losses for income tax purposes amounting to approximately $798 million which may be carried forward to reduce taxable income in future years. The future tax benefit of $163 million resulting from the deferral of these losses has been recognized in the accounts as a deferred income tax asset. Deferred income tax assets are recognized for tax loss carry-forward to the extent that the realization of the related tax benefits through future taxable profits is probable. Income tax losses as at December 31, 2014 are detailed as follows:

(in millions of Canadian dollars)	UNRECOGNIZED TAX LOSSES	RECOGNIZED TAX LOSSES	TOTAL TAX LOSSES	MATURITY
Canada	—	6	6	2015
	—	8	8	2026
	—	14	14	2027
	—	3	3	2029
	—	51	51	2030
	—	78	78	2031
	—	128	128	2032
	—	85	85	2033
	—	137	137	2034
United States	—	2	2	2029
	—	2	2	2031
	—	2	2	2032
	—	2	2	2033
Europe	162	118	280	Indefinitely
	162	636	798	

NOTE 18
CAPITAL STOCK

A. CAPITAL MANAGEMENT

Capital is defined as long-term debt, bank loans and advances net of cash and cash equivalents and Shareholders' equity which includes capital stock.

(in millions of Canadian dollars)	2014	2013
Cash and cash equivalents	(29)	(23)
Bank loans and advances	46	56
Long-term debt, including current portion	1,596	1,579
	1,613	1,612
Total equity	1,003	1,194
Total capital	2,616	2,806

The Corporation's objectives when managing capital are:

- to safeguard the Corporation's ability to continue as a going concern in order to provide returns to Shareholders;
- to maintain an optimal capital structure and reduce the cost of capital;
- to make proper capital investments that are significant to ensure the Corporation remains competitive; and
- to redeem common shares based on an annual redemption program.

The Corporation sets the amount of capital in proportion to risk. The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares and acquire or sell assets to improve its financial performance and flexibility.

The Corporation monitors capital on a monthly and quarterly basis based on different financial ratios and non-financial performance indicators. Also, the Corporation must conform to certain financial ratios under its various credit agreements. These ratios are calculated on an adjusted consolidated basis of restricted subsidiaries only. These are a maximum ratio of funded debt to capitalization of 65% and a minimum interest coverage ratio of 2.25x. The Corporation must also comply with a consolidated interest coverage ratio to incur additional debt. Funded debt is defined as liabilities as per the consolidated balance sheet, including guarantees and liens granted in respect of funded debt of another

person but excluding other long-term liabilities, trade accounts payable, obligations under finance leases and other accrued obligations (2014 - $1,561 million; 2013 - $1,538 million). The capitalization ratio is calculated as "Shareholders' equity" as shown in the consolidated balance sheet plus the funded debt. Shareholders' equity is adjusted to add back the effect of IFRS adjustments as at December 31, 2010 in the amount of $208 million. The interest coverage ratio is defined as OIBD to interest expense. The OIBD is defined as net earnings of the last four quarters plus interest expense, income taxes, amortization and depreciation, expense for stock options and dividends received from a person who is not a credit party (2014 - $291 million; 2013 - $293 million). Excluded from net earnings are share of results of equity investments and gains or losses from non-recurring items. Interest expense is calculated as interest and financial charges determined in accordance with IFRS plus any capitalized interest but excluding the amortization of deferred financing costs, up-front and financing costs and also unrealized gains or losses arising from hedging agreements. It also excludes any gains or losses on the translation of any long-term debt denominated in a foreign currency. The consolidated interest coverage ratio to incur additional debt is calculated as defined in the Senior notes indenture dated December 3, 2009.

As at December 31, 2014, the funded debt-to-capitalization ratio stood at 58.62% and the interest coverage ratio was 3.22x. The Corporation is in compliance with the ratio requirements of its lenders. If cash is available, the Corporation will use it to reduce its revolving credit facility utilization.

The Corporation's credit facility is subject to terms and conditions for loans of this nature, including limits on incurring additional indebtedness and granting liens or selling assets without the consent of the lenders.

The unsecured senior notes are subject to customary covenants restricting the Corporation's ability to, among other things, incur additional debt, pay dividends and make other restricted payments as defined in the Indenture dated December 3, 2009.

The Corporation normally invests between $100 million and $200 million yearly in purchases of property, plant and equipment. These amounts are carefully reviewed during the course of the year in relation to operating results and strategic actions approved by the Board of Directors. These investments, combined with annual maintenance, enhance the stability of the Corporation's business units and improve cost competitiveness through new technology and improved process procedures.

The Corporation has an annual share redemption program in place to redeem its outstanding common shares when the market price is judged appropriate by Management. In addition to limitations on the normal course issuer bid, the Corporation's ability to redeem common shares is limited by its senior notes indenture.

B. ISSUED AND OUTSTANDING

The authorized capital stock of the Corporation consists of an unlimited number of common shares, without nominal value, and an unlimited number of Class A and B shares issuable in series without nominal value. Over the past two years, the common shares have fluctuated as follows:

		2014		2013	
	NOTE	NUMBER OF SHARES	IN MILLIONS OF CANADIAN DOLLARS	NUMBER OF SHARES	IN MILLIONS OF CANADIAN DOLLARS
Balance - beginning of year		93,887,849	482	93,882,445	482
Shares issued on exercise of stock options	18(d)	376,025	1	75,304	—
Redemption of common shares	18(c)	(77,400)	—	(69,900)	—
Balance - end of year		94,186,474	483	93,887,849	482

C. REDEMPTION OF COMMON SHARES

In 2014, in the normal course of business, the Corporation renewed its redemption program of a maximum of 1,502,206 common shares with the Toronto Stock Exchange, said shares representing approximately 1,6% of issued and outstanding common shares. The redemption authorization is valid from March 17, 2014 to March 16, 2015. In 2014, the Corporation redeemed 77,400 common shares under this program for a consideration of approximately nil (2013 - nil).

D. SHARE ISSUANCE

The Corporation issued 376,025 shares upon the exercise of options for an amount of $ 1 million (2013 - nil for 75,304 shares issued).

E. EARNINGS (LOSS) PER SHARE

The basic and diluted net earnings (loss) per common share are calculated as follows:

	2014	2013
Net earnings (loss) available to common shareholders (in millions of Canadian dollars)	(147)	11
Weighted average basic number of common shares outstanding (in millions)	94	93.9
Dilution effect of stock options (in millions)	—	0.8
Adjusted weighted average number of common shares (in millions)	94	94.7
Basic net earnings (loss) per common share (in Canadian dollars)	$ (1.57)	$ 0.11
Diluted net earnings (loss) per common share (in Canadian dollars)	$ (1.57)	$ 0.11

In calculating diluted net earnings (loss) per share for 2014 and 2013, stock options of 6,432,328 and 3,058,072 respectively were excluded due to their antidilutive effect. As of March 12, 2015, the Corporation had not redeemed any shares since the beginning of the financial year.

F. DETAILS OF DIVIDENDS DECLARED PER SHARE ARE AS FOLLOWS

	2014	2013
Dividends declared per share	$ 0.16	$ 0.16

NOTE 19
STOCK-BASED COMPENSATION

a. Under the terms of a share option plan adopted on December 15, 1998, and amended on March 15, 2013, and approved by Shareholders on May 8, 2013, for officers and key employees of the Corporation, a remaining balance of 2,460,973 common shares has been specifically reserved for issuance. Each option will expire at a date not to exceed 10 years following the grant date of the option. The exercise price of an option shall not be lower than the market value of the share at the date of grant, determined as the average of the closing price of the share on the Toronto Stock Exchange on the five trading days preceding the date of grant. The terms for exercising the options are 25% of the number of shares under option within 12 months after the first anniversary date of grant, and up to an additional 25% every 12 months after the second, third and fourth anniversaries of grant date. Options cannot be exercised if the market value of the share at exercise date is lower than the book value at the date of grant. Options exercised are settled in shares. The stock-based compensation cost related to these options amounted to $1 million (2013 - $1 million).

Changes in the number of options outstanding as at December 31, 2014 and 2013 are as follows:

	2014		2013	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE $	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE $
Beginning of year	6,656,423	6.22	6,534,700	6.54
Granted	546,155	6.10	560,391	5.18
Exercised	(376,025)	4.56	(75,304)	2.39
Expired	(383,424)	12.11	(331,301)	11.69
Forfeited	(10,801)	5.42	(32,063)	4.46
End of year	6,432,328	5.96	6,656,423	6.22
Options exercisable - end of year	4,728,990	6.18	4,727,343	6.65

The weighted-average share price at the time of exercise of the options was $6.35 (2013 - $4.97).

The following options were outstanding as at December 31, 2014:

	OPTIONS OUTSTANDING		OPTIONS EXERCISABLE		
YEAR GRANTED	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE $	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE $	EXPIRATION DATE
2005	219,333	12.73	219,333	12.73	2015
2006	260,714	11.49	260,714	11.49	2015-2016
2007	285,680	11.83	285,680	11.83	2015-2017
2008	431,443	7.81	431,443	7.81	2015-2018
2009	321,175	2.28	321,175	2.28	2019
2009	1,307,412	3.92	1,307,412	3.92	2019
2010	650,517	6.43	650,517	6.43	2015-2020
2011	716,074	6.26	538,674	6.26	2015-2021
2012	1,141,831	4.46	575,207	4.46	2015-2022
2013	555,373	5.18	138,835	5.18	2023
2014	542,776	6.10	—	—	2024
	6,432,328	5.96	4,728,990	6.18	

FAIR VALUE OF THE SHARE OPTIONS GRANTED

Options were priced using the Black-Scholes option pricing model. Expected volatility is based on the historical share price volatility over the past five years. The following weighted-average assumptions were used to estimate the fair value of $2.52 (2013 - $1.75), as at the date of grant, of each option issued to employees:

	2014	2013
Grant date share price	$ 6.65	$ 5.15
Exercise price	$ 6.10	$ 5.18
Risk-free interest rate	1.79%	1.75%
Expected dividend yield	2.41%	3.11%
Expected life of options	6 years	6 years
Expected volatility	45%	47%

b. The Corporation offers its Canadian employees a share purchase plan for its common shares. Employees can voluntarily contribute up to a maximum of 5% of their salary and, if certain conditions are met, the Corporation will contribute to the plan for 25% of the employee's contribution.

The shares are purchased on the market on a predetermined date each month. For the year ended December 31, 2014, the Corporation's contribution to the plan amounted to $1 million (2013 - $1 million).

c. The Corporation has a Deferred Share Unit Plan for the benefit of its external directors, allowing them to receive all or a portion of their annual compensation in the form of Deferred Share Units (DSUs). A DSU is a notional unit equivalent in value to the Corporation's common share. Upon resignation from the Board of Directors, participants are entitled to receive the payment of their cumulated DSUs in the form of cash based on the average price of the Corporation's common shares as traded on the open market during the five days before the date of the participant's resignation.

The DSU expense and the related liability are recorded at the grant date. The liability is adjusted periodically to reflect any variation in the market value of the common shares. As at December 31, 2014, the Corporation had a total of 271,581 DSUs outstanding (2013 - 227,415 DSUs), representing a long-term liability of $2 million (2013 - $2 million).

d. In 2013, the Corporation put in place a Performance Share Unit (PSU) Plan for the benefit of officers and key employees, allowing them to receive a portion of their annual compensation in the form of PSUs. A PSU is a notional unit equivalent in value to the Corporation's common share. Periodically, the number of PSUs forming part of the award shall be adjusted depending upon the three-year average return on capital employed of the Corporation (ROCE). Such adjusted number shall be obtained by multiplying the number of PSUs forming part of the award by the applicable multiplier based on the ROCE level. Participants are entitled to receive the payment of their PSUs in the form of cash based on the average price of the Corporation's common shares as traded on the open market during the five days before the vesting date.

The PSUs vest over a period of two years starting on the award date. The expense and the related liability are recorded during the vesting period. The liability is adjusted periodically to reflect any variation in the market value of the common shares, the expected average ROCE and the passage of time. As at December 31, 2014, the Corporation had a total of 1,098,149 PSUs outstanding (2013 - 560,391 PSUs), representing a liability of $2 million (2013 - nil).

NOTE 20
ACCUMULATED OTHER COMPREHENSIVE LOSS

(in millions of Canadian dollars)	2014	2013
Foreign currency translation, net of hedging activities and related income tax of $6 million (December 31, 2013 - nil)	(25)	(29)
Unrealized loss arising from foreign exchange forward contracts designated as cash flow hedges, net of related income taxes of nil (December 31, 2013 - $1 million)	(2)	(4)
Unrealized loss arising from interest rate swap agreements designated as cash flow hedges, net of related income taxes of $14 million (December 31, 2013 - $8 million)	(20)	(13)
Unrealized loss arising from commodity derivative financial instruments designated as cash flow hedges, net of related income taxes of $5 million (December 31, 2013 - $5 million)	(14)	(13)
Unrealized loss on available-for-sale financial assets, net of related income taxes of nil (December 31, 2013 - nil)	(1)	(1)
	(62)	(60)

NOTE 21
COST OF SALES BY NATURE

(in millions of Canadian dollars)	2014	2013
Raw material	1,405	1,268
Wages and employee benefits expenses	600	566
Energy	270	261
Delivery	255	240
Depreciation and amortization	174	167
Other	359	361
Total cost of sales	3,063	2,863

SELLING AND ADMINISTRATIVE EXPENSES BY NATURE

(in millions of Canadian dollars)	2014	2013
Wages and employee benefits expenses	233	231
Information technology	20	17
Publicity and marketing	11	10
Other	70	77
Total selling and administrative expenses	334	335

NOTE 22
EMPLOYEE BENEFITS EXPENSES

(in millions of Canadian dollars)	NOTE	2014	2013
Wages and employee benefits expenses	21	833	797
Share options granted to directors and employees	19(a)	1	1
Pension costs - defined benefit plans	16	8	11
Pension costs - defined contribution benefits	16	19	18
Post-employment benefits other than defined benefit pension plans	16	6	6
		867	833

KEY MANAGEMENT COMPENSATION

Key management includes the members of the Board of Directors, Presidents and Vice Presidents of the Corporation (same as disclosed in annual information form in section 8.3). The compensation paid or payable to key management for their services is shown below:

(in millions of Canadian dollars)	2014	2013
Salaries and other short-term benefits	9	9
Post-employment benefits	1	1
Share-based payments	4	1
	14	11

NOTE 23
LOSS (GAIN) ON ACQUISITIONS, DISPOSALS AND OTHERS

(in millions of Canadian dollars)	NOTE	2014	2013
Employment contracts		—	5
Gain on disposal of property, plant and equipment		—	(2)
Class action settlement		5	—
Gain on joint-venture contribution	8(f)	(5)	—
		—	3

2014

In the fourth quarter of 2014, the Corporation has settled a class action lawsuit that was filed against it and other North American manufacturers of containerboard. Under the terms of the settlement agreement, the Corporation has agreed to pay US $4.8 million into a settlement fund in return for the release of all claims of the alleged class without any admission of wrong doing on the part of the Corporation.

On January 31, the Corporation concluded the creation of a new joint venture for converting corrugated board activities in the Atlantic provinces with Maritime Paper Products Limited (MPPL).This transaction resulted in a gain of $5 million.

2013

As part of the transition process related to the appointment of a new President and CEO, the Corporation entered into employment contracts with the new President and CEO and its Presidents of the Containerboard, Specialty Products and Tissue Papers business segments. The fair value of the post-employment benefit obligation related to these employment contracts was evaluated at $5 million and an equivalent charge has been recorded.

The Containerboard Group sold a piece of land located at its New York City, USA, containerboard plant site and recorded a gain of $2 million on the disposal.

NOTE 24
IMPAIRMENT CHARGES (REVERSAL) AND RESTRUCTURING COSTS

A. IMPAIRMENT CHARGES (REVERSAL) ON PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS WITH FINITE USEFUL LIFE AND OTHER ASSETS

The Corporation recorded net impairment charges totaling $21 million in 2014 and a net impairment reversal of $7 million in 2013. The recoverable amount of CGUs was determined using a fair value less cost of disposal sell model based on the income approach, unless otherwise indicated. Level 2 inputs are used to measure fair value. Impairments are detailed as follows:

						2014
	PACKAGING PRODUCTS					
(in millions of Canadian dollars)	CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	TOTAL
Property, plant & equipment	—	7	8	15	—	15
Spare parts	—	—	3	3	—	3
Intangible assets with finite useful life and other assets	—	—	3	3	—	3
Total	—	7	14	21	—	21

	PACKAGING PRODUCTS					2013
(in millions of Canadian dollars)	CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	TOTAL
Property, plant & equipment	—	7	—	7	(17)	(10)
Intangible assets with finite useful life and other assets	1	—	2	3	—	3
Total	1	7	2	10	(17)	(7)

2014
In the fourth quarter, the Boxboard Europe Group reviewed the recoverable amount of its Iberica, Spain, recycled boxboard manufacturing mills, and recorded impairment charges on property, plant and equipment totaling $7 million. The slow recovery of the European economic environment since the 2009 financial crisis negatively impacted profitability of this mill. Recoverable amount was based on selling price of assets as it was higher than the income approach.

In the second quarter, the Specialty Products Group recorded impairment charges of $2 million on property, plant and equipment and $3 million on spare parts due to sustained challenging business conditions for a plant manufacturing consumer goods made from recovered plastics in its consumer products sub-segment. On September 30, 2014, the plant was sold to Laurent Lemaire, a director and major shareholder of the Corporation, at a value determined to be fair by the independent members of the Board. The independent directors of the Board reviewed all options for this business and determined that the sale to Mr. Lemaire was in the best interest of the Corporation and the employees of the consumer plastics business. The Group also recorded impairment charges of $3 million on other assets.

In the fourth quarter, the Specialty Product Group reviewed the recoverable amount of its flexible film activities CGU and recorded an impairment charge of $6 million on property, plant and equipment. Sustained low shipments in this sector do not generate enough profitability to support the carrying value of property plant and equipment. Recoverable amount was based on selling price of assets as it was higher than the income approach.

2013
The Containerboard Group recorded an impairment charge of $1 million due to the re-evaluation of a note receivable (in Other assets) from a 2011 business disposal.

The Boxboard Europe Group reviewed the recoverable amount of its Magenta and Marzabotto (both in Italy) as well as its Iberica, Spain, recycled boxboard manufacturing mills, and recorded impairment charges on property, plant and equipment totaling $7 million. The slow recovery of the European economic environment since the 2009 financial crisis negatively impacted profitability of these mills and led to the consolidation of our recycled boxboard activities in Europe. Recoverable amount was based on selling price of assets as it was higher than the income approach.

The Specialty Products Group also reviewed the recoverable amount of its honeycomb activities CGU and recorded an impairment charge of $2 million on a client list. Low shipments in this sector does not generate enough profitability to support the carrying value of this intangible assets with a finite life.

The Tissue Papers Group recorded a $17 million reversal of impairment on its Memphis, Tennessee, manufacturing mill. We had initially recorded an impairment charge of $22 million at transition date to IFRS on January 1, 2010, due to operational challenges. Since then, the Corporation implemented a Group best practices program to maximize efficiency at all of its plants. These actions contributed to solve operating difficulties at the Memphis mill.

B. GOODWILL AND OTHER INDEFINITE USEFUL LIFE INTANGIBLE ASSETS

Allocation of goodwill and other indefinite useful life intangible assets is as follows:

- Containerboard's goodwill of $277 million is allocated to all Containerboard's CGUs.
- Specialty Products' goodwill is allocated to all Cascades Recovery CGUs, $13 million, and the partitioning activities CGU, $2 million.
- Tissue Papers' goodwill of $36 million and trademarks of $2 million are allocated to all Tissue Papers' CGUs.
- Water rights of $5 million are allocated to RdM's CGU.

The Corporation tested its Containerboard goodwill for impairment. As a result of this impairment test, the Corporation concluded that the recoverable amount of the CGUs was in excess of $458 million over their carrying amount, thus no impairment charge was necessary. With all other variables held constant, a decrease in the terminal growth rate of 11%; a rise in the discounting rate of 4%, a decrease in the terminal shipments of 133,000 s.t., or a decrease in the terminal exchange rate of $0.09 would reduce the excess of $458 million to nil.

The Corporation applied the income approach in determining fair value less cost of disposal and used the following key assumptions (level 2 inputs):

	2014	2013
	CONTAINERBOARD	CONTAINERBOARD
Terminal growth rate	2%	2%
Discounting rate	9.5%	9.5%
Terminal exchange rate (CA$/US$)	$ 1.15	$ 1.10
Terminal shipments (manufacturing only)	888,000 s.t.	903,000 s.t.

With regards to other goodwill, all impairment testing resulted in a significant excess of recoverable amount compared to the carrying amount of the respective goodwill.

In 2013, the Corporation also tested the goodwill allocated to its honeycomb activities CGU. The Corporation used the income approach to determine the recoverable amount and we concluded it was not enough to support the carrying value of the goodwill. Level 2 inputs were used to measure fair value. The Corporation recorded an impairment charge of $4 million on the goodwill of this CGU.

C. RESTRUCTURING COSTS

Restructuring costs are detailed as follows:

(in millions of Canadian dollars)	2014	2013
Containerboard	—	2
Boxboard Europe	1	3
Tissue Papers	1	—
	2	5

2014
The Boxboard Europe Group also recorded severances of $1 million in relation to previous years' plant closures.

The Tissue Papers Group recorded severances of $1 million as part of its consumer products activities restructuring.

2013
The Containerboard Group recorded a $1 million provision relating to an onerous lease contract and additional severances provisions totaling $1 million relating to the consolidation of its Ontario converting activities announced in 2012.

The Boxboard Europe Group recorded severances totaling $3 million in relation to the consolidation of its recycled boxboard activities in Italy and Spain.

NOTE 25
ADDITIONAL INFORMATION

A. CHANGES IN NON-CASH WORKING CAPITAL COMPONENTS ARE DETAILED AS FOLLOWS:

(in millions of Canadian dollars)	2014	2013
Accounts receivable	18	37
Current income tax assets	(6)	1
Inventories	(7)	(29)
Trade and other payables	(19)	1
Current income tax liabilities	1	(5)
	(13)	5

B. FINANCING EXPENSE AND INTEREST EXPENSE ON EMPLOYEE FUTURE BENEFITS

(in millions of Canadian dollars)	2014	2013
Interest on long-term debt	97	99
Interest income	(5)	(4)
Amortization of financing costs	5	5
Other interest and banking fees	4	4
Interest on employee future benefits	6	8
Net financing expense	107	112

NOTE 26
FINANCIAL INSTRUMENTS

26.1 FAIR VALUE OF FINANCIAL INSTRUMENTS

The classification of financial instruments as at December 31, 2014 and 2013, along with the respective carrying amounts and fair values, is as follows:

		2014		2013	
(in millions of Canadian dollars)	NOTE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets at fair value through profit or loss					
Derivatives	26.4	25	25	9	9
Financial assets available for sale					
Other investments		3	3	6	6
Investments in shares		1	1	1	1
Financial liabilities at fair value through profit or loss					
Derivatives	26.4	(41)	(41)	(35)	(35)
Financial liabilities at amortized cost					
Long-term debt		(1,596)	(1,608)	(1,579)	(1,640)
Derivatives designated as hedge					
Asset derivatives		—	—	(9)	(9)
Liability derivatives		(18)	(18)	(14)	(14)

26.2 DETERMINING THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount of consideration that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as at the measurement date.

(i) The fair values of cash and cash equivalents, accounts receivable, notes receivable, bank loans and advances, trade and other payables and provisions approximate their carrying amounts due to their relatively short maturities.
(ii) The fair value of investments in shares held for trading is based on observable market data and mainly represents the Corporation's investment in Junex Inc., which is quoted on the Toronto Stock Exchange.
(iii) The fair value of long-term debt is based on observable market data and on the calculation of discounted cash flows. Discount rates were determined based on local government bond yields adjusted for the risks specific to each of the borrowings and the credit market liquidity conditions.

26.3 HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

The following table presents information about the Corporation's financial assets and financial liabilities measured at fair value on a recurring basis as at December 31, 2014 and 2013 and indicates the fair value hierarchy of the Corporation's valuation techniques to determine such fair value. Three levels of inputs that may be used to measure fair value are:

Level 1 - Quoted prices in active markets for identical assets or liabilities.
Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3 - Inputs that are generally unobservable and typically reflect Management's estimates of assumptions that market participants would use in pricing the asset or liability.

(in millions of Canadian dollars)	CARRYING AMOUNT	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
				2014
Financial assets				
Other investments	3	—	3	—
Investments in shares held for trading	1	1	—	—
Derivative financial assets	25	—	25	—
Total	29	1	28	—
Financial liabilities				
Derivative financial liabilities	(59)	—	(59)	—
Total	(59)	—	(59)	—

(in millions of Canadian dollars)	CARRYING AMOUNT	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
				2013
Financial assets				
Other investments	6	—	6	—
Investments in shares held for trading	1	1	—	—
Derivative financial assets	18	—	18	—
Total	25	1	24	—
Financial liabilities				
Derivative financial liabilities	(49)	—	(49)	—
Total	(49)	—	(49)	—

26.4 FINANCIAL RISK MANAGEMENT

The Corporation's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Corporation's financial performance. The Corporation uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department and a management committee acting under policies approved by the Board of Directors. They identify, evaluate and hedge financial risks in close cooperation with the business units. The Board provides guidance for overall risk management, covering specific areas, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Summary

(in millions of Canadian dollars)		ASSETS			LIABILITIES		2014
RISK	NOTE	SHORT-TERM	LONG-TERM	TOTAL	SHORT-TERM	LONG-TERM	TOTAL
Currency risk	26.4 A) (i)	—	16	16	(3)	(37)	(40)
Price risk	26.4 A) (ii)	1	8	9	(11)	(8)	(19)
Total		1	24	25	(14)	(45)	(59)

(in millions of Canadian dollars)		ASSETS			LIABILITIES		2013
RISK	NOTE	SHORT-TERM	LONG-TERM	TOTAL	SHORT-TERM	LONG-TERM	TOTAL
Currency risk	26.4 A) (i)	—	9	9	(1)	(28)	(29)
Price risk	26.4 A) (ii)	2	7	9	(8)	(11)	(19)
Interest risk	26.4 A) (iii)	—	—	—	(1)	—	(1)
Total		2	16	18	(10)	(39)	(49)

A. MARKET RISK

(i) Currency risk

The Corporation operates internationally and is exposed to foreign exchange risks arising from various currencies as a result of its export of goods produced in Canada, the United States, France, Sweden, Italy and Germany. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations. These risks are partially covered by purchases and debt.

The Corporation manages the foreign exchange exposure by entering into various foreign exchange forward contracts and currency option instruments related to anticipated sales, purchases, interest expense and repayment of long-term debt. The Corporation may designate these foreign exchange forward contracts as a cash flow hedge of future anticipated sales, purchases, interest expense and repayment of long-term debt denominated in foreign currencies. Gains or losses from these derivative financial instruments designated as hedges are recorded in Accumulated other comprehensive income (loss) net of related income taxes and are reclassified to earnings as adjustments to sales, cost of sales, interest expense or foreign exchange loss (gain) on long-term debt in the period in which the respective hedged item affected earnings. Management has implemented a policy for managing foreign exchange risk against its functional currency. The Corporation's risk management policy is to hedge 25% to 90% of anticipated cash flows in each major foreign currency for the next 12 months and to hedge 0% to 75% for the subsequent 24 months.

In 2014, approximately 29% of sales from Canadian operations were made to the United States and 15% of sales from French and Italian operations were made in countries whose currencies were other than the Euro. The following table summarizes the Corporation's commitments to buy and sell foreign currencies as at December 31, 2014 and 2013:

					2014
	EXCHANGE RATE	MATURITY	NOTIONAL AMOUNT (IN MILLIONS)		FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Repayment of long-term debt					
Derivatives designated as held for trading and reclassified in Foreign exchange loss (gain) on long-term debt:					
Foreign exchange forward contracts to buy (US$ for CAN$)	0.9965	December 2017	US$	150	25
Foreign exchange forward contracts to buy (US$ for CAN$)	1.06	January 2020	US$	50	4
Currency option sold to sell US$ (US$ for CAN$)	1.1167	December 2017	US$	300	(29)
Currency option sold to sell US$ (US$ for CAN$)	1.15	January 2020	US$	100	(10)
Currency option sold to buy US$ (US$ for CAN$)	1.0225	January 2020	US$	200	(8)
Sub-total					(18)
Forecasted sales					
Derivatives designated as held for trading and reclassified in Loss (gain) on derivative financial instruments:					
Foreign exchange forward contracts to sell (US$ for CAN$)	1.1580	0 to 12 months	US$	23	—
Currency option instruments to sell (US$ for CAN$)	1.1098	0 to 12 months	US$	45	(2)
Currency option instruments to sell (US$ for CAN$)	1.1286	13 to 24 months	US$	45	(4)
Sub-total					(6)
Total					(24)

In 2014, the Corporation did offset $13 million in derivative assets against $34 million in derivative liabilities as we intend to settle the derivatives on a net basis.

			2013		
	EXCHANGE RATE	MATURITY	NOTIONAL AMOUNT (IN MILLIONS)		FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Repayment of long-term debt					
Derivatives designated as cash flow hedges and reclassified in Foreign exchange gain on long-term debt:					
Foreign exchange forward contracts to buy (US$ for CAN$)	0.9965	December 2017	US$	150	13
Sub-total					13
Derivatives designated as held for trading and reclassified in Foreign exchange loss (gain) on long-term debt:					
Foreign exchange forward contracts to buy (US$ for CAN$)	1.06	January 2020	US$	50	1
Currency option sold to sell US$ (US$ for CAN$)	1.1167	December 2017	US$	300	(17)
Currency option sold to sell US$ (US$ for CAN$)	1.15	January 2020	US$	100	(6)
Currency option sold to buy US$ (US$ for CAN$)	1.0225	January 2020	US$	200	(10)
Sub-total					(32)
Forecasted sales					
Derivatives designated as cash flow hedges and reclassified in Sales:					
Foreign exchange forward contracts to sell (US$ for CAN$)	1.0484	0 to 12 months	US$	15	—
Foreign exchange forward contracts to buy (€ for US$)	1.3399	0 to 12 months	US$	2.4	—
Foreign exchange forward contracts to sell (GBP for SEK)	10.736	0 to 12 months	£	2	—
Foreign exchange forward contracts to sell (€ for SEK)	9.0010	0 to 12 months	€	2.8	—
Sub-total					—
Derivatives designated as held for trading and reclassified in Loss (gain) on derivative financial instruments:					
Currency option instruments to sell (US$ for CAN$)	1.0427	0 to 12 months	US$	35	—
Currency option instruments to sell (US$ for CAN$)	1.0314	13 to 24 months	US$	25	(1)
Sub-total					(1)
Total					(20)

In 2013, the Corporation also paid US$4 million ($4 million) for the settlement of derivative financial instruments related to its 7.25% unsecured senior notes and US$10 million ($10 million) for the settlement of derivative financial instruments related to its 6.75% unsecured senior notes.

In 2013, the Corporation did offset $5 million in derivative assets against $22 million in derivative liabilities as we intend to settle the derivatives on a net basis.

The fair values of foreign exchange forward contracts and currency options are determined using the discounted value of the difference between the value of the contract at expiry calculated using the contracted exchange rate and the exchange rate the financial institution would use if it renegotiated the same contract under the same conditions as at the consolidated balance sheet date. The discount rates are adjusted for the credit risk of the Corporation or of the counterparty, as applicable. When determining credit risk adjustments, the Corporation considers master netting agreements, if applicable.

In 2014, if the Canadian dollar had strengthened by $0.01 against the US dollar on average for the year with all other variables held constant, operating income before depreciation for the year would have been approximately $4 million lower, based on the net exposure of total US sales less US purchases of the Corporation's Canadian operations and operating income before depreciation of the Corporation's US operations but excluding the effect of this change on the denominated working capital components. The interest expense would have remained relatively stable.

In 2014, if the Canadian dollar had strengthened by $0.01 against the Euro with all other variables held constant, operating income before depreciation for the year would have been approximately $1 million lower following the translation of operating income of the Corporation's European operations.

CURRENCY RISK ON TRANSLATION OF SELF-SUSTAINING FOREIGN SUBSIDIARIES

The Corporation has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. The Corporation may designate part of its long-term debt denominated in foreign currencies as a hedge of the net investment in self-sustaining foreign subsidiaries. Gains or losses resulting from the translation to Canadian dollars of long-term debt denominated in foreign currencies and designated as net investment hedges are recorded in "Accumulated other comprehensive income (loss)", net of related income taxes.

The table below shows the effect on consolidated equity of a 10% change in the value of the Canadian dollar against the US dollar and the Euro as at December 31, 2014 and 2013. The calculation includes the effect of currency hedges of net investment in US foreign entities and assumes that no changes occurred other than a single currency exchange rate movement.

The exposures used in the calculations are the foreign currency-denominated equity and the hedging level as at December 31, 2014 and 2013, with the hedging instruments being the long-term debt denominated in US dollars.

Consolidated Shareholders' equity: Currency effect before tax of a 10% change:

			2014			2013
(in millions of Canadian dollars)	BEFORE HEDGES	HEDGES	NET IMPACT	BEFORE HEDGES	HEDGES	NET IMPACT
10% change in the CAN$/US$ rate	93	52	41	80	67	13
10% change in the CAN$/Euro rate	4	—	4	7	—	7

(ii) Price risk

The Corporation is exposed to commodity price risk on old corrugated containers, electricity and natural gas. The Corporation uses derivative commodity contracts to help manage its production costs. The Corporation may designate these derivatives as cash flow hedges of anticipated purchases of raw material, natural gas and electricity. Gains or losses from these derivative financial instruments designated as hedges are recorded in Accumulated other comprehensive income (loss) net of related income taxes and are reclassified to earnings as adjustments to "Cost of sales" in the same period as the respective hedged item affects earnings.

The fair value of these contracts is as follows:

			2014
	QUANTITY	MATURITY	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Forecasted purchases			
Derivatives designated as held for trading and reclassified in Cost of sales			
Electricity	284,904 MWh	2015 to 2017	—
Derivatives designated as cash flow hedges and reclassified in Cost of sales (effective portion)			
Natural gas:			
Canadian portfolio	9,336,800 GJ	2015 to 2018	(12)
US portfolio	3,636,000 mmBtu	2015 to 2018	(6)
Total			(18)

			2013
	QUANTITY	MATURITY	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Forecasted purchases			
Derivatives designated as held for trading and reclassified in Cost of sales			
Old corrugated containers	10,200 s.t.	2014	—
Sorted office papers	12,000 s.t.	2014	—
Electricity	375,888 MWh	2014 to 2017	—
Derivatives designated as cash flow hedges and reclassified in Cost of sales (effective portion)			
Natural gas:			
Canadian portfolio	11,525,060 GJ	2014 to 2018	(13)
US portfolio	4,776,300 mmBtu	2014 to 2018	(5)
Total			(18)

In 2011, as part of the sale of its Versailles boxboard mill, the Corporation also entered into an agreement to sell natural gas to the acquirer. The acquirer went bankrupt in 2014 and the fair value of this agreement has been written down to nil as at December 31, 2014 (2013 - $1 million asset).

In 2013, the Corporation entered into an agreement to purchase steam. The agreement includes an embedded derivative and the fair value as at December 31, 2014 was $8 million (2013 - $7 million).

The fair value of derivative financial instruments other than options is established utilizing a discounted future expected cash flows method. Future expected cash flows are determined by reference to the forward price or rate prevailing on the assessment date of the underlying financial index (exchange or interest rate or commodity price) according to the contractual terms of the instrument. Future expected cash flows are discounted at an interest rate reflecting both the maturity of each flow and the credit risk of the party to the contract for which it represents a liability (subject to the application of relevant credit support enhancements). The fair value of derivative financial instruments that represent options is established utilizing similar methods that reflect the impact of the potential volatility of the financial index underlying the option on future expected cash flows.

The table below shows the effect of changes in the price of old corrugated containers, natural gas and electricity as at December 31, 2014 and 2013. The calculation includes the effect of price hedges of these commodities and assumes that no changes occurred other than a single change in price.

The exposures used in the calculations are the commodity consumption and the hedging level as at December 31, 2014 and 2013, with the hedging instruments being derivative commodity contracts.

Consolidated commodity consumption: Price change effect before tax.

	2014			2013		
(in millions of Canadian dollars[1])	BEFORE HEDGES	HEDGES	NET IMPACT	BEFORE HEDGES	HEDGES	NET IMPACT
US$15/s.t. change in recycled paper price	28	—	28	30	—	30
US$30/s.t. change in commercial pulp price	5	—	5	7	—	7
US$1/mmBTU. change in natural gas price	9	5	4	9	5	4
US$1/MWh change in electricity price	2	—	2	2	—	2

1 *Sensitivity calculated with an exchange rate of 1.10 CAN$/US$ for 2014 and 1.03 CAN$/US$ for 2013.*

(iii) Interest rate risk

The Corporation has no significant interest-bearing assets.

The Corporation's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Corporation to cash flow interest rate risk. Borrowings issued at fixed rates expose the Corporation to fair value interest rate risk.

When appropriate, the Corporation analyzes its interest rate risk exposure. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Corporation calculates the impact on earnings of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions. As at December 31, 2014, approximately 23% (2013 - 33%) of the Corporation's long-term debt was at variable rates.

Based on the outstanding long-term debt as at December 31, 2014 the impact on interest expense of a 100-basis point change in rate would be approximately $4 million (impact on net earnings is approximately $3 million).

The Corporation has swaps maturing in 2015 and up to 2017 on a notional amount up to $50 million. As at December 31, 2014, these agreements are recorded as an asset at a fair value of nil (2013 - nil). The Corporation also holds interest rate swaps through RdM. These swaps are contracted to fix the interest rate on a notional amount of €8 million and are maturing in 2015 and 2016. Fair value of these agreements is nil as at December 31, 2014 (December 31, 2013 - $1 million liability).

(iv) Loss (gain) on derivative financial instruments is as follows:

(in millions of Canadian dollars)	2014	2013
Unrealized loss (gain) on derivative financial instruments	6	(6)
Realized loss on derivative financial instruments	—	1
	6	(5)

B. CREDIT RISK

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. The Corporation reduces this risk by dealing with creditworthy financial institutions.

The Corporation is exposed to credit risk on the accounts receivable from its customers. In order to reduce this risk, the Corporation's credit policies include the analysis of the financial position of its customers and the regular review of their credit limits. In addition, the Corporation believes there is no particular concentration of credit risk due to the geographic diversity of customers and the procedures for the management of commercial risks. Derivative financial instruments include an element of credit risk should the counterparty be unable to meet its obligations.

Trade receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for doubtful accounts. An allowance for doubtful accounts of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Each trade receivable balance is evaluated separately to identify impairment. The amount of the allowance for doubtful accounts is the difference between the asset's carrying amount and the present value of estimated cash flows. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recorded in the consolidated statement of earnings in Selling and administrative expenses. When a trade receivable is uncollectable, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against Selling and administrative expenses in the consolidated statement of earnings.

Loans and notes receivables from business disposals are recognized at fair value. There is no past due amount as at December 31, 2014.

C. LIQUIDITY RISK

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The following are the contractual maturities of financial liabilities as at December 31, 2014 and 2013:

						2014
(in millions of Canadian dollars)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	LESS THAN ONE YEAR	BETWEEN ONE AND TWO YEARS	BETWEEN TWO AND FIVE YEARS	MORE THAN FIVE YEARS
Non-derivative financial liabilities:						
Bank loans and advances	46	46	46	—	—	—
Trade and other payables	557	557	557	—	—	—
Revolving credit facility	332	347	13	334	—	—
Unsecured senior notes	1,175	1,647	72	71	215	1,289
Other debts of subsidiaries	31	37	11	6	11	9
Other debts without recourse to the Corporation	73	77	36	17	19	5
Derivative financial liabilities	59	59	14	8	24	13
	2,273	2,770	749	436	269	1,316

						2013
(in millions of Canadian dollars)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	LESS THAN ONE YEAR	BETWEEN ONE AND TWO YEARS	BETWEEN TWO AND FIVE YEARS	MORE THAN FIVE YEARS
Non-derivative financial liabilities:						
Bank loans and advances	56	56	56	—	—	—
Trade and other payables	590	590	590	—	—	—
Revolving credit facility	484	514	14	15	485	—
Unsecured senior notes	989	1,354	78	77	890	309
Other debts of subsidiaries	39	46	17	9	10	10
Other debts without recourse to the Corporation	80	80	25	30	19	6
Derivative financial liabilities	49	49	10	7	18	14
	2,287	2,689	790	138	1,422	339

As at December 31, 2014, the Corporation had unused credit facilities of $495 million (December 31, 2013 - $303 million), net of outstanding letters of credit of $38 million (December 31, 2013 - $56 million).

D. OTHER RISK

FACTORING OF ACCOUNTS RECEIVABLE

The Corporation sells its accounts receivable from one of its European subsidiaries through a factoring contract with a financial institution. The Corporation uses factoring of receivables as a source of financing by reducing its working capital requirements. When the receivables are sold, the Corporations removes them from the balance sheet, recognizes the amount received as the consideration for the transfer and records a loss on factoring which is included in "Financing expense". As at December 31, 2014, the off-balance sheet impact of the factoring of receivables amounted to $27 million (€20 million). The Corporation expects to continue to sell receivables on an ongoing basis. Should it decide to discontinue this contract, its working capital and bank debt requirements would increase.

NOTE 27
COMMITMENTS

a. The Corporation leases various properties, vehicles and equipment under non-cancellable operating lease agreements.

Future minimum payments under operating leases are as follows:

(in millions of Canadian dollars)	2014	2013
No later than one year	22	21
Later than one year but no later than five years	36	36
More than five years	6	9

b. Capital and raw material commitments

Capital expenditures and raw material contracted at the end of the reporting date but not yet incurred are as follows:

		2014			2013		
(in millions of Canadian dollars)	NOTE	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	RAW MATERIAL	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	RAW MATERIAL
No later than one year	28	6	2	71	13	2	50
Later than one year but no later than five years	28	—	—	287	1	2	201
More than five years	28	—	—	107	—	—	126
		6	2	465	14	4	377

NOTE 28
RELATED PARTY TRANSACTIONS

The Corporation entered into the following transactions with related parties:

(in millions of Canadian dollars)	JOINT VENTURES	ASSOCIATES
2014		
Sales to related parties	52	72
Purchases from related parties	28	153
2013		
Sales to related parties	52	58
Purchases from related parties	31	79

These transactions occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to related party balance presented elsewhere in these consolidated financial statements, the following balances were outstanding at the end of the reporting period:

(in millions of Canadian dollars)	December 31, 2014	December 31, 2013
Receivables from related parties		
Joint ventures	6	11
Associates	13	9
Payables to related parties		
Joint ventures	9	10
Associates	18	15

The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties. The payables to related parties arise mainly from purchase transactions. The payables bear no interest.

Starting in June 2013, the Corporation entered into a take-or-pay agreement with its associate Greenpac. For a period of eight years, the Corporation has the obligation to purchase a minimum quantity of 340,000 short tons per year from Greenpac. If the Corporation fails to purchase the minimum quantity, it must compensate Greenpac for the lost gross margin on those short tons. Included in commitments in Note 27 is the minimum amount to be paid to Greenpac which corresponds to the potential lost gross margin on 340,000 tons.

On September 30, 2014, the Corporation sold a plant manufacturing consumer goods made from recovered plastics in its Specialty Products Group to Laurent Lemaire, a director and major shareholder of the Corporation, at a value determined to be fair by the independent members of the Board. The independent directors of the Board reviewed all options for this business and determined that the sale to Mr. Lemaire was in the best interest of the Corporation and the employees of the consumer plastics business.

BOARD OF DIRECTORS

Cascades' Board of Directors (BoD) and management believe that quality corporate governance helps ensure that the Corporation is run efficiently and investor confidence is maintained. In order to stay the course in this regard, Cascades regularly reviews its governance practices to remain in compliance with applicable legislation and to improve efficiency.

The composition of the Board of Directors must be carefully determined since its responsibilities include ensuring good corporate governance, among other things. Cascades draws on the expertise of a highly experienced team of directors while recognizing the importance of independent directors. As of December 31, 2014, seven of the twelve Board members were independent. They meet at least once yearly with no non-independent directors or senior management present. New BoD members are also offered an orientation and training program, to familiarize themselves with Cascades' activities as well as the issues and challenges it faces.

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1
Bernard Lemaire
Director of the Corporation
Kingsey Falls, Québec Canada
Director since 1964
Non-Independent

2
Laurent Lemaire
Vice-Chairman of the Board
Warwick, Québec Canada
Director since 1964
Non-Independent

3
Alain Lemaire
Executive Chairman
of the Board
Kingsey Falls, Québec Canada
Director since 1967
Non-Independent

4
Mario Plourde
President and Chief Executive
Officer of Cascades Inc.
Kingsey Falls, Québec, Canada
Director since November 2014
Non-Independent

5
Louis Garneau
President
Louis Garneau Sports Inc.
Saint-Augustin-de-Desmaures
Québec Canada
Director since 1996
Independent

6
Sylvie Lemaire
Director of companies
Otterburn Park, Québec Canada
Director since 1999
Non-Independent

7
David McAusland
Partner
McCarthy Tétrault
Montréal, Québec Canada
Director since 2003
Independent

8
James B.C. Doak
President and Managing Director
Megantic Asset Management Inc.
Toronto, Ontario Canada
Director since 2005
Independent

9
Georges Kobrynsky
Director of companies
Montréal, Québec Canada
Director since 2010
Independent

10
Élise Pelletier
Management and Human
Resources Consultant
Saint-Bruno-de-Montarville
Québec Canada
Director since 2012
Independent

11
Sylvie Vachon
President and Chief
Executive Officer of
The Montréal Port Authority
Montréal, Québec Canada
Director since 2013
Independent

12
Laurence G. Sellyn
Executive Vice-President,
Chief Financial and
Administrative Officer,
Gildan Activewear Inc.
Montréal, Québec Canada
Director since 2013
Independent

HISTORICAL FINANCIAL INFORMATION - 10 YEARS

For the years ended December 31, (in millions of Canadian dollars, except per share amounts and ratios) (unaudited) Historical financial information are not adjusted to reclass the impact of discontinued operations and IFRS for years ended prior to 2011.	IFRS 2014	IFRS 2013
Highlights - Consolidated Results		
Sales	3,953	3,849
Cost of sales and expenses	3,595	3,497
Operating income before depreciation and amortization (OIBD) excluding specific items	358	352
Depreciation and amortization	183	182
Operating income excluding specific items	175	170
Financing expense and interest expense on employee future benefits	108	115
Foreign exchange loss (gain) on long-term debt and financial instruments	30	(2)
Specific items	191	28
	(154)	29
Provision for (recovery of) income taxes	(11)	12
Share of results of associates and joint ventures	—	3
Net earnings (loss) attributable to non-controlling interest	4	3
Net earnings (loss)	(147)	11
Net earnings (loss) per common share	$ (1.57)	$ 0.11
Highlights - Consolidated Cash Flow		
Cash flow generated by operating activities	250	232
Cash flow from operations	251	226
per common share	$ 2.67	$ 2.41
Purchases of property, plant and equipment net of proceeds on disposal	172	136
Business acquisitions and cash from a joint venture	—	—
Proceed from business disposals	(36)	—
Net change in long-term debt	88	(30)
Dividends on common shares	15	15
per common share	$ 0.16	$ 0.16
Dividend yield	2.3 %	2.3%
Highlights - Consolidated Balance Sheet (As at December 31)		
Current assets less current liabilities	308	414
Property, plant & equipment	1,592	1,684
Total assets	3,673	3,831
Total long-term debt	1,596	1,579
Non-controlling interests	110	113
Shareholders' equity	893	1,081
per common share	$ 9.48	$ 11.52
Stock Market Highlights		
Shares issued and outstanding (in millions)	94.2	93.9
Trading volume (in millions)	45.0	25.2
Market capitalization	661	646
Closing price	$ 7.02	$ 6.88
High	$ 7.60	$ 6.92
Low	$ 5.64	$ 4.07
Key Financial Ratios		
Net earnings (loss)/sales	(3.7)%	0.3%
Sales/total assets*	1.1X	1.0X
Total assets/average Shareholders' equity*	3.7X	3.7X
Return on Shareholder's equity*	(14.9)%	1.1%
Return on total assets (OIBD/average total assets)*	9.5 %	9.4%
OIBD/sales	9.1 %	9.1%
OIBD/interest	3.3X	3.1X
Current assets less current liabilities/sales*	7.8 %	10.8%
Net debt/OIBD*	4.5X	4.6X
Total debt/total debt + Shareholders' equity	64.8 %	60.2%
Price to earnings	N/A	62.5
Price to book value	0.7X	0.6X

** Prior to 2007, ratios are calculated excluding the impact of the Norampac acquisition.*

IFRS	IFRS						
2012	2011	2010	2009	2008	2007	2006	2005
3,645	3,760	3,959	3,877	4,025	4,033	3,481	3,862
3,341	3,517	3,561	3,412	3,720	3,693	3,167	3,600
304	243	398	465	305	340	314	262
199	186	212	218	213	208	163	174
105	57	186	247	92	132	151	88
115	100	112	118	103	106	83	83
(8)	(4)	4	31	24	(59)	—	(10)
33	(148)	65	33	54	7	76	159
(35)	109	5	65	(89)	78	(8)	(144)
(4)	27	—	23	(29)	6	(3)	(40)
(2)	(14)	(15)	(17)	(8)	(27)	(8)	(7)
(7)	(3)	3	(1)	2	3	—	—
(22)	99	17	60	(54)	96	3	(97)
$ (0.23)	$ 1.03	$ 0.18	$ 0.61	$ (0.55)	$ 0.96	$ 0.04	$ (1.19)
199	115	228	355	126	53	191	100
154	121	246	303	150	163	174	100
$ 1.64	$ 1.26	$ 2.54	$ 3.10	$ 1.52	$ 1.64	$ 2.15	$ 1.23
141	110	131	171	184	169	110	121
14	60	3	69	(5)	10	572	52
—	(292)	—	—	47	37	94	—
(54)	143	30	59	149	91	178	91
15	15	16	16	16	16	13	13
$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.16
3.9 %	3.6%	2.4%	1.8%	4.6 %	1.9%	1.2%	1.6 %
295	400	479	484	522	581	574	530
1,659	1,703	1,777	1,912	2,030	1,886	2,063	1,562
3,694	3,728	3,724	3,792	4,031	3,769	3,911	3,046
1,475	1,407	1,395	1,469	1,708	1,574	1,666	1,297
116	136	24	21	22	25	19	—
978	1,029	1,257	1,304	1,256	1,199	1,157	897
$ 10.42	$ 10.87	$ 13.01	$ 13.41	$ 12.74	$ 12.09	$ 11.62	$ 11.10
93.9	94.6	96.6	97.2	98.5	99.1	99.5	80.8
20.2	33.8	57.7	79.8	39.8	63.2	31.7	23.6
385	419	647	869	339	837	1,317	812
$ 4.10	$ 4.43	$ 6.70	$ 8.94	$ 3.44	$ 8.44	$ 13.23	$ 10.05
$ 5.18	$ 7.75	$ 9.80	$ 9.10	$ 8.90	$ 15.80	$ 14.78	$ 13.95
$ 3.85	$ 3.51	$ 5.71	$ 1.70	$ 3.00	$ 7.46	$ 9.66	$ 7.35
(0.6)%	2.6%	0.4%	1.5%	(1.3)%	2.4%	0.1%	(2.5)%
1.0X	1.0x	1.1x	1.0x	1.0x	1.1x	1.2x	1.3x
3.7X	3.3x	2.9x	3.0x	3.3x	3.2x	3.2x	3.1x
(2.2)%	8.7%	1.3%	4.7%	(4.4)%	8.1%	0.3%	(9.9)%
8.2 %	6.5%	10.6%	11.9%	7.8 %	8.9%	10.6%	8.4 %
8.3 %	6.5%	10.1%	12.0%	7.6 %	8.4%	9.0%	6.8 %
2.6X	2.4x	3.6x	3.9x	3.0x	3.2x	3.8x	3.2x
8.1 %	10.6%	12.1%	12.5%	13.0 %	14.4%	13.3%	13.7 %
5.0X	6.1x	3.6x	3.3x	5.9x	4.7x	3.8x	5.0x
61.4 %	59.3%	53.7%	54.3%	59.1 %	57.5%	59.6%	59.9 %
N/A	4.3x	37.2x	14.7x	N/A	8.8x	330.8x	N/A
0.4X	0.4x	0.5x	0.7x	0.3x	0.7x	1.1x	0.9x

SUMMARY OF PRODUCTION CAPACITY

(as at December 31, 2014[1])

SECTORS/SEGMENTS	REGION	TYPE OF OPERATION	MAIN MARKETS/PRODUCTION	NUMBER OF UNITS[2]	CAPACITY[3]
PACKAGING PRODUCTS					
CONTAINERBOARD	North America	Manufacturing	Recycled linerboard and corrugating medium from virgin and recycled fibre White-top linerboard	6[5]	1,527[5]
		Converting	Variety of corrugated packaging containers Corrugated sheets Specialty packaging	22	12 billion sq.ft. (2014 shipments, including inter-company sales)
BOXBOARD EUROPE	Europe	Manufacturing	Coated virgin boxboard (coated duplex, GC) Coated recycled boxboard (white-lined chipboard duplex, GD) Recycled linerboard	7[4]	1,168[4]
SPECIALTY PRODUCTS	North America and Europe	Industrial Packaging	Uncoated board Papermill packaging (roll headers and wrappers) Honeycomb packaging products Laminated boards	12[5]	461[5]
	North America	Consumer Products Packaging	Moulded pulp products – Cup trays – Filler flats Plastic products – Packaging for food industry (meat trays, translucent containers, foam plates and bowls)	6[5]	55M kg[5]
		Recovery	Collection, sorting and recycling activities	18	1,433 (processed in 2014)
		Other Products	Backing for vinyl flooring Deinked pulp	2	136
TISSUE PAPERS					
	North America[6]	Manufacturing	Parent rolls	7	382
		Manufacturing and converting	Parent rolls Retail and away-from-home markets – Paper towels, paper hand towels, bathroom tissue, facial tissue, paper napkins	4	261
		Converting	Retail and away-from-home markets – Paper towels, paper hand towels, bathroom tissue, facial tissue, paper napkins Industrial wipes	9	n.a.
TOTAL				93	3,935[4] (manufacturing only)

1 Excluding discontinued operations.
2 Production and sorting facilities only; excluding sales offices, distribution and transportation hubs and corporate offices. Including the Greenpac mill, in which we have an approximately 60% stake.
3 Thousands of short tons, unless otherwise noted. Practical capacity.
4 Including all the units of Reno de Medici S.p.A. in which we had an approximately 58% stake. Excluding the Magenta plant and sheeting centres.
5 Including 100% of the capacity of our joint ventures.
6 Excluding converting activities at Rockingham; including new converting facility at Wagram.

Cascades also owns a 34% interest in Boralex Inc., a major independent power producer (940 MW of installed capacity) active in Canada, the U.S. and France. Boralex is a publicly traded company, and additional information is available at www.boralex.com.

FINANCIAL HIGHLIGHTS

CASCADES SHARE PRICE IN 2014

SYMBOL CAS – TSX

(ON THE TORONTO STOCK EXCHANGE)

S&P/TSX

CLEAN TECHNOLOGY INDEX

S&P/TSX

SMALL CAP INDEX

BMO

SMALL CAP INDEX

94.2 MILLION

COMMON SHARES OUTSTANDING
as at December 31, 2014

73 MILLION

TOTAL VOLUME TRADED
in 2014

$0.04

QUARTERLY DIVIDEND PER SHARE PAID
in 2014

2.3%

ANNUAL DIVIDEND YIELD
as at December 31, 2014

$7.60

INTRADAY HIGH
in 2014

$5.64

INTRADAY LOW
in 2014

$661 MILLION

MARKET CAPITALIZATION
as at December 31, 2014

MOODY'S: Ba2 (STABLE)
S&P: B+ (STABLE)

CORPORATE CREDIT RATINGS
as at December 31, 2014

FINANCIAL SNAPSHOT

(In millions of Canadian dollars, unless otherwise noted)	2014	2013	2012
SALES	**3,561**	3,370	3,141
Operating income before depreciation and amortization (OIBD)[1]	**311**	343	255
% of sales	**8.7%**	10.2%	8.1%
Operating income	**137**	176	72
% of sales	**3.8%**	5.2%	2.3%
Net earnings (loss)	**(147)**	11	(22)
per share	**$(1.57)**	$0.11	$(0.23)
Dividend per share	**$0.16**	$0.16	$0.16
EXCLUDING SPECIFIC ITEMS[1]			
Operating income before depreciation and amortization (OIBD)[1]	**340**	342	285
% of sales	**9.5%**	10.1%	9.1%
Operating income	**166**	175	115
% of sales	**4.7%**	5.2%	3.7%
Net earnings	**20**	29	5
per share	**$0.21**	$0.31	$0.05
Return on assets[1, 2]	**9.4%**	9.3%	8.1%
Return on capital employed[1, 3]	**4.1%**	4.0%	2.8%
FINANCIAL POSITION (AS AT DECEMBER 31)			
Total assets	**3,673**	3,831	3,694
Capital employed[3]	**3,200**	3,193	3,224
Net debt[1]	**1,613**	1,612	1,535
Net debt/OIBD[1, 4, 7]	**4.7x**	4.6x	5.0x
Shareholders' equity	**893**	1,081	978
per share	**$9.48**	$11.52	$10.42
Working capital on sales[8]	**12.3%**	12.9%	14.4%
KEY INDICATORS			
Total shipments (in '000 of s.t.)[5]	**2,924**	2,899	2,765
Manufacturing capacity utilization rate[6]	**93%**	93%	92%
US$/CAN$ - Average rate	**$0.91**	$0.97	$1.00

1 See "Forward-looking Statements and Supplemental Information on Non-IFRS Measures" on page 23.

2 Return on assets is a non-IFRS measure defined as the last twelve months' ("LTM") OIBD excluding specific items/LTM quarterly average of total assets. It includes or excludes significant business acquisitions and disposals respectively in the last twelve months on a pro forma basis. Not adjusted for discontinued operations.

3 Return on capital employed is a non-IFRS measure and is defined as the after-tax (30%) amount of the LTM operating income, including our share of core joint ventures, excluding specific items, divided by the LTM quarterly average of capital employed. Capital employed is defined as total assets less trade and other payables. It includes or excludes significant business acquisitions and disposals respectively in the last twelve months on a pro forma basis. Not adjusted for discontinued operations.

4 Adjusted ratio including discontinued operations for 2012 and 2013.

5 Shipment figures have not been adjusted for related party or inter-segment eliminations.

6 Defined as: Internal and external manufacturing shipments/practical capacity. Adjusted for discontinued operations and excluding the Specialty Products Group.

7 Excluding specific items.

8 Percentage of sales = Average LTM working capital/LTM sales. It includes or excludes significant business acquisitions and disposals respectively in the last twelve months on a pro forma basis. Not adjusted for discontinued operations.

NORTH AMERICA

Prince George, BC R
Edmonton, AB R
Vancouver, BC R
Kelowna, BC R
C
Calgary, AB R
Nanaimo, BC R
Surrey, BC C R
Victoria, BC R
Richmond, BC
Winnipeg, MB C R
St. John's, NL C
Moncton, NB C
Kingsey Falls, QC
Tacoma, WA C
St. Helens, OR M
Eau Claire, WI CM
Grand Rapids, MI C
Aurora, IL C
Warrenton, MO C
Kingman, AZ C
Brownsville, TN C
Memphis, TN M
Rockingham, NC C M
Kinston, NC C
Wagram, NC C
Birmingham, AL C

CASCADES WORLDWIDE

LEGEND

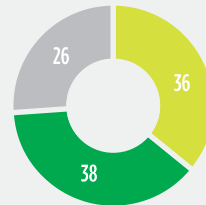
- Head Office
- Containerboard Group
- Boxboard Europe Group
- Specialty Products Group
- Tissue Papers Group

M Manufacturing facility
C Converting facility
CM Converting and manufacturing facility
P Deinked pulp facility
R Recovery operations

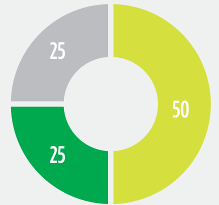
$3.6 BILLION[1] IN SALES

OVER 60% OF WHICH ARE OUTSIDE CANADA

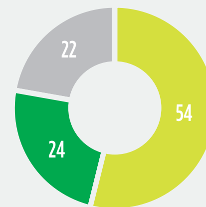
Sales to (destination) 2014 (%)



Sales from (source) 2014 (%)



Property, plant and equipment 2014 (%)



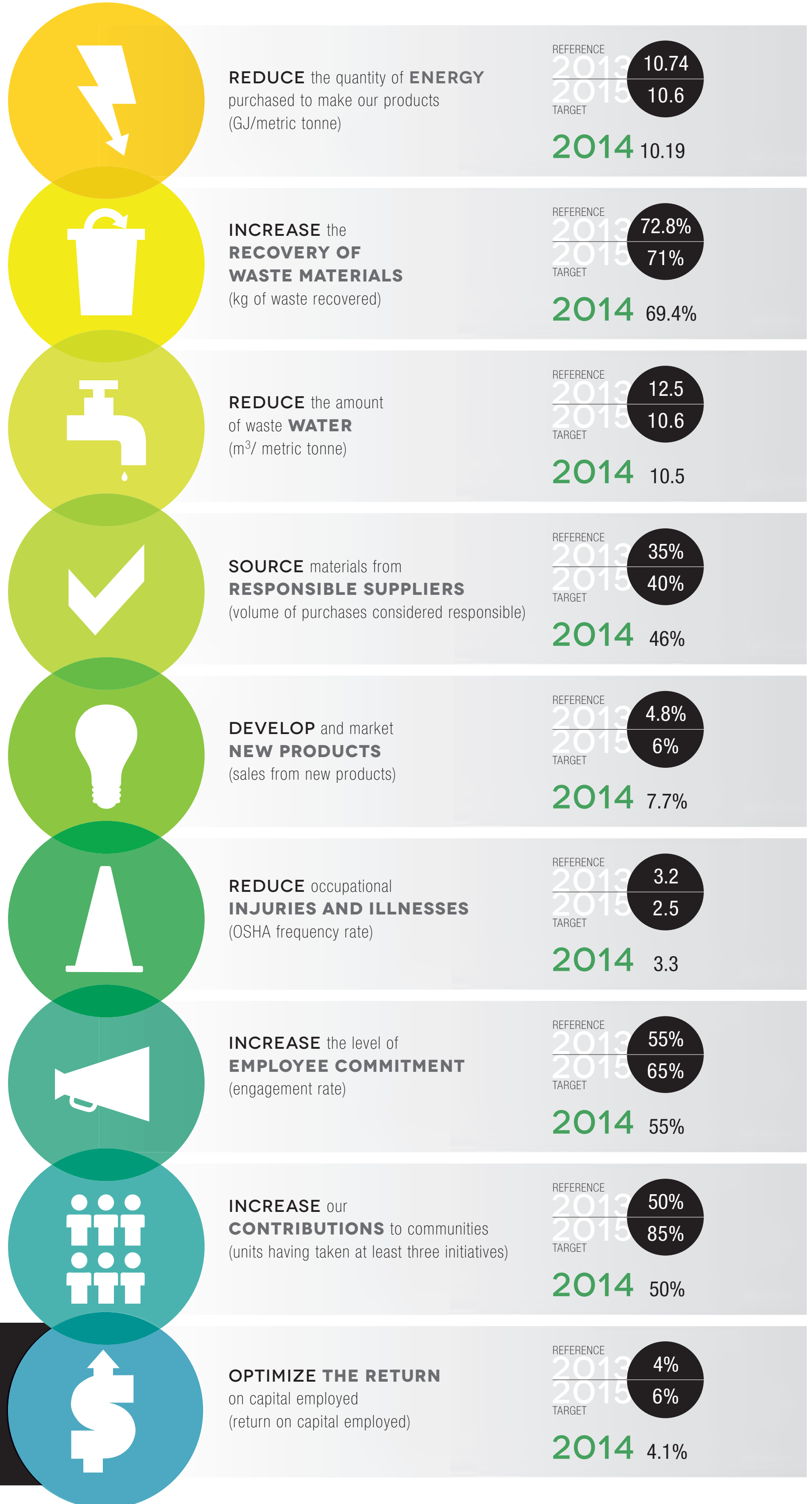
- Canada
- United States
- Europe and others

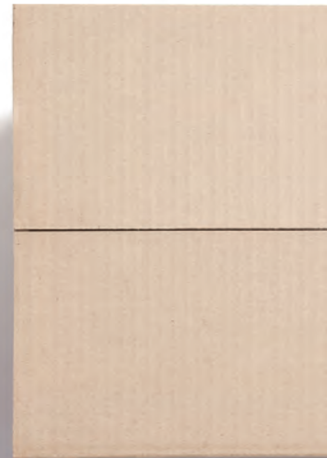
1 Excluding discontinued activities.

A HELPING HAND TO MAKE A LASTING DIFFERENCE

Cascades continues to work toward achieving the targets established in its 2013-2015 **Sustainable Development Plan.**

For more information on our initiatives in sustainable development: **www.cascades.com/sustainable-development**





CASCADES.COM

Printed on **Rolland Enviro^MC Satin**, 60 lb. Text and **Rolland Enviro^MC Print,** 80 lb. The cover is certified Processed Chlorine Free and is made from 100% postconsumer fibre. All papers are certified FSC and EcoLogo and are made from renewable biogas energy.

Production: **Communications Department of Cascades** – Design: **absolu** – Prepress and printing: **Impart Litho**
Photography: **Exposeimage**, **Brühmüller photographe**

Printed in Canada

The leftover food from the Annual Report's photo shoot was donated to the Fondation Lauberivière de Québec. What a great way to avoid waste and give back to the community!